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West Europe Report

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10 January 1984

WEST EUROPE REPORT

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EDITOR DENIES NATO MISSILES BEHIND KOIVISTO LETTER

Helsinki HUFVUDSTADSBLADET in Swedish 22 Nov 83 p 9

/Article by Stefan Lundberg: "Missile Question not Reason for Koivisto's 'Mill Letter'"

/Text The president must decide whether or not to make public his letter to the Finnish newspapers, says HUFVUDSTADSBLADET editor-in-chief Jan-Magnus Jansson. This statement follows speculations which recently appeared in the Swedish press. According to SVENSKA DAGBLADET, for example, Koivisto has wanted to put an end to the open debate.

The newspaper reports the Koivisto was motivated in part by concern in Finland regarding NATO cruise missiles.

Jansson says: "I absolutely deny this; the issue was not even mentioned in the letter." He still refuses, however, to publish the details of the letter.

Jansson admits it is perhaps unfortunate that the text of the letter is not available, since it might end much of the speculation. On the other hand, publication of the letter is the president's responsibility.

The Swedish speculations about the letter having a connection with the deployment of the cruise missiles and the speculations about this being able to affect the neutrality of the Nordic countries is of course related to the point in time when the letter was sent.

Jansson believes that the question concerning cruise missiles and the speculations concerning their ultimate effect on neutrality can be primarily understood as a political rather than a military one concerning the Soviet Union.

The Swedish reactions to Koivisto's letter have been characterized by great surprise and perhaps a degree of malicious pleasure.

"I believe that the Swedes greatly exaggerate the contents of this letter and the effect it will have on the Finnish press. Koivisto has merely expressed his opinion and the editors-in-chief have reported it; but, as I have already said, the newspapers are responsible for what is printed."

Can Koivisto's intervention be understood to mean that "ordinary people" can no longer publicly express their opinions on foreign affairs, that that is a privilege reserved for experts?

"No, I don't think his words should be so interpreted. My impression is that he is trying to draw attention to the confusing aspects of the recent debate on foreign affairs.

"I find it natural, though, in a democracy that foreign affairs debates cannot be so strictly disciplined, but rather that there must necessarily be some deviation and overstepping."

Doesn't that overstepping come primarily from the so-called foreign affairs dilettantes, and ought therefore not really be so dangerous?

"That may be so, but the questions addressed in the letter are not vital ones but rather those which have been discussed recently, such as our UN policy, and so on.

"I would prefer to make a distinction between those issues and vital problems, which include our bilateral relations with the Soviet Union. In the latter case I believe it is the duty of the press to support our official policies and to observe a certain restraint, whereas there is justification for discussing other questions more freely.

"There is, however, a clear distinction between the responsibility of the press and the government."

Could one say that since Koivisto took office a tendency has appeared for foreign affairs experts to, as it were, proceed by trial and error, tapping on thin ice to see how much the president will tolerate?

"One might have received such an impression in a few cases, and that state of affairs perhaps also annoyed the president.

"But if one takes, for example, the Grenada discussion then I think it was healthy that this came up; it clarified certain things within our own foreign policy."

Is it in general legitimate to talk about a "freer climate for debate" during the Koivisto era? Certainly foreign policies were debated both under Paasikivi's and Kekkonen's time, and then it was during a critical period of transition.

"If in fact a difference exists, it is only a relative one which has been greatly exaggerated.

"Towards the end of the 1950's the discussion was significantly louder, but was later muffled due to Kekkonen's authority.

"Just the form was different; now, for example, the afternoon /tabloid/ press has taken up questions which were then discussed in ULKOPOLITIIKKA and this has given them wider distribution."

BRIEFS

MISSILES SETBACK FOR 'ZONE'--The stationing of cruise missiles on European soil, according to Parliament Deputy Speaker Mikko Pesala, CP /Center Party/, is a serious setback for the introduction of a nuclear-free zone in the North. Pesala gave a speech on foreign affairs in Kotka on Saturday. He stated that the Nordic countries are concerned that weapons which represent the latest in technology and which can be fitted with nuclear warheads have landed in Europe. This creates uncertainty in the North as well. He said: "This insecurity at least is not lessened by the fact that our experts are insufficiently familiar with the functioning of cruise missiles." According to Pesala, the "academic debate about whether or not cruise missiles will fly through Finnish airspace during an actual war is unnecessary hairsplitting." We can't afford to mix wishful thinking and facts regarding a serious question such as this, he indicated. "The rapid development of the latest weapons technology and usage alone is sufficient reason to call a new parliamentary defense committee immediately. That committee ought to make a new assessment of the situation," Pesala said. /Text/ /Helsinki HUFVUDSTADSBLADET in Swedish 22 Nov 83 p 9/ 12573

CSO: 3650/56

BERLIN POLICE CHIEF ON REVOLUTIONARY CELLS

West Berlin DIE TAGESZEITUNG in German 2 Dec 83 p 19

/DPA report: "Huebner Expects 'Something Further'"/

/Excerpt/ Compared with the 230 instances of arson and bomb attacks last year, the number of such cases has clearly diminished this year, amounting to 144 by the end of November. As Berlin's chief of police, Klaus Huebner, emphasized in a DPA interview at the same time, however, he expects "something further in the near future" from the Revolutionary Cells, with their leisure-time terrorism. His experience, extending over many years, and his instinct tell him that, not least because of "all the frustration," some actions of the Cells are "still to come."

The squatters movement in Berlin, with not only 33 occupied premises, compared with 217 in March 1979, will have been "extinguished" by 1984, the chief says. The squatters scene is "worn out" as a result of police tactics as well the politicians' offers of negotiation.

The chief of police predicts, however, that Berlin will "again be involved to an enormous extent" once the forgery-proof ID is introduced and a census is conducted--however it may be organized. Protests against the "wiring up of the country" /Verkabelung/ is also likely to play a role in the future. According to Huebner, the "violence potential" in Berlin which can still be mobilized amounts to no more than 300 to 500.

The "autonomous" groups, inclining toward militancy, he says, maintained restraint during the time of the big events of the peace movement, predicting that these "softie demos" would fail. Huebner also thinks that by announcing that they would "show afterward how such things are done" the "autonomous" groups committed themselves to a certain amount of success. There is no telling as yet, however, to what extent "there exist the required targets in Berlin." There is some information, anyway, about meetings to arrange actions, the chief points out.

As far as the police are concerned, he says, the Revolutionary Cells are loose groupings which exist generally for only a limited time, and it is difficult

to establish who the members are as they do not give up their normal identity. Their attacks do not, however, have the impact of an organized terrorist group such as the RAF or the 2 June Movement. The terrorists, apparently desirous of keeping their personal risk low, are very consciously avoiding human injury. Homemade arson or explosive devices in front of banks or supermarkets are primarily set at night. Investigations often are very difficult also because, in accordance with their theory, the Cells do not know one another.

Huebner says that at present negotiations are being conducted about approximately 20 of the 33 buildings still occupied. Since March 1979, he says, 53 buildings had been cleared by the police, 52 abandoned voluntarily, and in the case of 56, contracts had been concluded. The rest had either been barred by building police or, in the wake of a judicial investigation, had been taken over again by the owners. The groups seeking to use squatting as a means of finding a fertile soil for their "struggle against the lousy system," had drifted to the sidelines. What was left was "immature young dropouts" and those who really wanted to carry out alternative projects.

From the police point of view there had not been a time even during the big riots starting in December 1980 when there was a danger of things getting out of control, Huebner says. "Since 1969, you know, I have consistently followed the principle that one needs to absorb internal violence. If one retaliates, one may wage civil war; any idiot can do that." Huebner is the chief police with the longest tenure in the FRG. He says that the police have had trouble coping with the "impatience of public opinion, and also of politics." The police officers too found it a long and difficult process after years of no experience with street unrest "not to allow themselves to be provoked." In a situation "where things had reached a boiling point on both sides," they managed to remove "the fire under the caldron," however.

8790

CSO: 3620/108

EXTREME RIGHTISTS ARRESTED WEAPONS SEIZED IN MUNICH

Munich SUEDEUTSCHE ZEITUNG in German 7 Nov 83 p 9

[Article by Johann Freudenreich]

[Text] In a joint operation, the municipal section of the Kreis Administration, the police and the Munich I Public Prosecutor's Office broke up a neo-Nazi meeting in a restaurant in Milbertshofen on Saturday evening. The meeting was attended by members of the extreme-right Action Front of National Socialists (ANS). According to a police investigation, they had planned to stage a "march to Field Marshal Hall" on Sunday morning. Such an organization is illegal and the city of Munich had previously issued a ban against it. All 84 persons attending the meeting have been investigated and 35 of them are temporarily under arrest. Among them was the notorious rightwing extremist, Michael Kuehnen, who had previously been sentenced to a jail term for neo-Nazi activities.

As reported, the "march to Field Marshal Hall," which the rightwing radicals wanted to stage, had already been announced some time ago on posters and had drawn the attention of public prosecutors and the city government. The Kreis Administration section received information last week that the date of the banned neo-Nazi demonstration had been advanced. It was not to be staged, as announced, on 9 November, the 60th anniversary of Hitler's putsch and the 45th anniversary of the Crystal Night, but rather on Sunday, which was yesterday.

Side Arms Found

According to police findings, the meeting of the rightwing extremists in a restaurant in Milbertshofen on Saturday evening was in preparation for the planned march. This meeting was interrupted by a police detachment and the group's leader was handed the ban notice, which had been prepared in advance. In a search of the meeting room, side arms and chains were impounded. Police also confiscated as evidence the ANS insignias, which represent a victory symbol based on the former Hitler insignia.

All 84 persons attending the meeting have been charged and 35 of them are temporarily under arrest, since their places of residence had to be verified. This

investigation lasted until late yesterday afternoon, as disclosed by the respective senior public prosecutor, Dieter Emrich, in an interview with SUEDEDEUTSCHE ZEITUNG. Some of those charged used their night in police custody to scrawl swastikas on the walls of their cells. Among those arrested is also Michael Kuehnen, former Federal Armed Forces lieutenant, who will soon have to submit to criminal proceedings in Frankfurt for recruiting for an unconstitutional organization, the former NSDAP [National Socialist German Workers Party]. Charges against him have already been filed in Frankfurt.

But the Munich incident will also be followed by criminal proceedings. Since some of the weapons confiscated in the Milbertshofen restaurant were found in compliance with the law on confiscation, the Munich I Public Prosecutor's Office is now filing charges against the restaurant for violating this law. Those arrested will also be charged with using "symbols of unconstitutional organizations." A spokesman for the Kreis Administration section stated in this regard: "We consider it important to refute the accusation that the CSU city government and the Munich police are unreliable." Such an accusation has recently been made by leftist groups and on handbills.

12580

CSO: 3620/65

COALITION DIFFICULTIES IMPROVE OEVP'S POSITION

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 17 Nov 83 p 12

[Article by Hanni Konitzer: "The People's Party Feels an Upswing"--Austria's Red-Blue Coalition Is Having a Hard Time]

[Text] Vienna, November—The internal political climate in Austria is currently as tense and bad as it normally is only during election campaigns. For several weeks now the government and the opposition have accused one another of "poisoning the political well" and of bearing the responsibility for the fact that the government coalition (composed of the Freedom Party and the Socialists) and the Austrian People's Party [OEVP] are barely on speaking terms. The first presentation of the 1984 budget draft, which took place last week in the National Council, again demonstrated that apart from severe mutual criticism there is very little to be talked about.

There are several reasons for this confrontation. First of all, there is the weakness and ineffectiveness of the Red-Blue coalition government, which provides the opposition with many angles of attack; the government itself still lacks the requisite self-confidence and serenity for warding off the political adversary's attacks in a commanding fashion. Opinion polls which show extensive disapproval of the Sinowatz/Steger government contribute to the discomfort of the coalition parties and make them doubly vulnerable to the attacks by the opposition. Gallup Institute questionnaires indicate that 80 percent of Austrians have little confidence in the little coalition. Four-fifths of the citizens were of the opinion that the Red-Blue government is dealing with existing problems in a "poor" manner or "not at all."

During the present difficult economic situation, the majority of Austrians favor a "great coalition" composed of the Socialists and the People's Party. Even though the Austrians have become acquainted with the questionable value of such a coalition in more than 20 years of middle class-socialist cooperation (1945-66), it is being given the best chance of being able to manage the severe economic problems. Even within the two coalition parties there is some doubt about the current "Red-Blue marriage of convenience." As far as the left-wing of the SPOe [Austrian Socialist Party] and the Socialist Party Youth organization are concerned, the FPÖe [Austrian Freedom Party] is politically too far to the right. During the SPOe congress at the end of last October, the Socialist Party leadership found itself forced on several occasions to defend its little coalition partner against attacks by leftwing delegates.

On the other side, quite a few Freedom Party sympathizers complain that the nationalist liberals, in their capacity as government coalition partners of the Socialist Party, which is 10 times as numerous, would be forced to abandon many of their political principles or had indeed already done so.

The People's Party derives profit from this difficult adaptive phase of the coalition. For the first time in many years the large middle class party finds itself in a strong updraft, to which it reacts with a stronger opposition stance and newly found self-confidence. The OeVP [Austrian People's Party] now believes once more than in the next elections it can become the most potent political force in Austria. Should, however, the legislative period take its full normal course (which is probable, since neither the Socialists nor the Freedom Party people would have anything to gain from early elections), then the next parliamentary elections would not take place until 3-1/2 years from now. Early peaking and exaggerated expectations prior to 1987 could, therefore, do more harm than good for the People's Party.

Austrian internal politics might be influenced by two factors in the immediate future: first, whether or not Federal Chancellor Sinowatz will be able to cut a more impressive figure in his difficult task as Kreisky's successor; second, whether the Freedom Party people will be able to contain the shrinking process which, for such a small party, has already assumed dangerous proportions.

During his first few months in office Sinowatz has not given the impression of being able to make rapid and clear decisions. The fact that the more personal than political conflict between Kreisky and his former vice chancellor Androsch became exacerbated in public and threatened the unity of the SPOe has damaged Sinowatz as well. He would have been expected earlier on to express himself on this matter with some words of clarification, or, if necessary, with a policy statement. This, however, did not occur until after his election as party chairman at the SPOe party congress. Nevertheless, nobody in Vienna would dare to say that this has truly put an end to the Kreisky-Androsch controversy. Additionally, Sinowatz took so long to clarify contradictory statements by members of his government that he gave the impression of not being in full control.

The chancellor's entourage explains his uncommonly long-enduring restraint with the argument that Sinowatz has only had sufficient political freedom of action within the SPOe since the end of October when he assumed the SPOe chairmanship formerly held by Kreisky as well, to be able to put his own stamp on government and party policies which had been fashioned by Kreisky for 13 years. Several of Sinowatz's most recent statements indicate that he has decided to get a tight grip on the political reins. However, judgment will have to be postponed for several months as to his true effectiveness within the cabinet and his party.

After the provincial elections which were such a disappointment to both governing parties in the largest of the Austrian provinces, Lower Austria, where the Socialists lost three seats to the People's Party in October and the Freedom Party lost half its share of the votes down to a minuscule 1.7 percent, the

coalition worries about next year's provincial elections in Salzburg, Tyrol, Vorarlberg and Carinthia. The FPÖ is particularly nervous.

Opinion polls predict more severe losses for the Freedom Party in its former redoubts of Salzburg and Vorarlberg. Many western Austrian FPÖ voters are against cooperating with the Socialists. Added to this is the fact that FPÖ chairman Steger, who functions as vice chancellor and trade minister in the coalition government, is unpopular in parts of his own party and is severely criticized on many occasions by his own party members. The anti-Steger mood which can today be found primarily in the "nationalist" wing of the FPÖ, has motivated the People's Party to offer the Freedom Party "minus Steger" a rapprochement. ÖVP Secretary General Graff declared that the People's Party had no intention of swallowing the little FPÖ, but on the contrary considers it to be the most important component of the Austrian party configuration. However, he added, with Steger as FPÖ chairman the People's Party had no interest in entering any discussions.

9273

CSO: 3620/90

MESSAGE FROM CYPRIOT STUDENTS IN CZECHOSLOVAKIA TO AKEL

Nicosia KHARAVGI in Greek 20 Nov 83 p 5

/Text/ A meeting took place of the Cypriot students/friends of AKEL in Prague on 12 November.

In a salutatory message to the Central Committee of the Party, the Cypriot students/friends of AKEL assured that as in the past, they will devote all their strength for attaining the goals that the Party has set for the people.

"Once again, we the students in the Socialist Democracy of Czechoslovakia, an inseparable part of the Cypriot youth, place ourselves at the disposal of the pioneering party of the working class, of AKEL, in the struggle of our people for an independent country, dominant, territorially whole, federated, non aligned and non militarized, for a common country for all the residents, Greeks, Turks, Armenians, Maronites and Latins."

The greeting also approves of the Party's policy on the Cypriot question in regards to the Kuegar initiative.

Furthermore, in their salutatory message to the General Secretary of AKEL, E. Papaioannou, on the occasion of his 75th birthday, they say:

"We wish you every success in your work in the leadership of the Restorative Party of the Working People /AKEL/ of Cyprus to continue the upward course of the Party and the successful outcome of our people's struggle. We also wish you good health and every success in your personal life."

Mr Memnonas Stavrou spoke about the life and work of comrade Papaioannou. Stavrou is a member of the Central Committee of the AKEL and Party representative for the periodical "Problems of Peace and Socialism".

Following this, the meeting addressed itself to the work for the Central Committee of the AKEL. According to the report of the fund raising committee that approached the students of the Socialist Democracy of Czechoslovakia, the goal was covered by about 165% and during the course of the year 5 voluntary projects in total were completed. The best results were brought in by the friends of the Party in Bratislava. They covered their goal by about 180%.

The last point of the meeting was the subject "the role of the progressive student in our student movement". During a discussion on the subject, our students expressed their willingness to work both in their local organization, the Union of Cypriot Students in Czechoslovakia, and in the Federation of the Cypriot student movement, POFNE /Pan-Cyprian Federation of Students and Young Professionals/. They also declared their readiness to work for the events being organized by the Party and the EDON /United Democratic Youth Organization/ during the summer months.

9346

CSO: 3521/104

COMMENT RAPS AKEL POSITION ON UDI

Nicosia I SIMERINI in Greek 23 Nov 83 p 3.

/Text/ The first days after the declaration of the pseudo-state, SIMERINI criticized the Soviet Union and the countries of Eastern Europe in general, because they were not condemning the divisive action of the Turks. It did not hesitate, however, to praise them when they finally took a position against the new deeds. SIMERINI especially projected the speech of the Soviet representative in the Security Council in its news and editorial columns. Unfortunately, KHARAVGI did not hold a respective responsible and objective stand with the USA and the western world that immediately and categorically condemned the pseudo-state and supported the Cypriot Democracy. Without the clear statement of the western countries and with the negligence of the eastern countries, Denktash would have won half of the battle in the international field. Instead of recognizing this valuable contribution, KHARAVGI and the AKEL are trying to find ways to injure the west, even during these difficult moments. Their stand is full of animosity and hate. They prove once again that they put their party and ideological interests above the interests of their country with no regard to the disastrous consequences. With its attitude, the AKEL leadership becomes the only real obstacle to achieving the union that is the general desire of our people. Nothing would make us happier, and we believe would also make the AKEL followers happier, than to have this party decide even now to change its tactics.

9346

CSO: 3521/104

NEW MEMBERS OF DEMOCRATIC RALLY EXECUTIVE COMMITTEE

Nicosia I SIMERINI in Greek 22 Nov 83 p 1

/Text/ The following were elected during the elections held at the Third Provincial Congress of the Democratic Rally of Nicosia last Sunday as members of the Executive Committee of the Provincial Council:

Provincial Secretary - Mikhalis Iakovou
Assistant Provincial Secretary - Loukas Kharalambous
Provincial Organizational Secretary - Andreas Parisinos
Assistant Provincial Organizational Secretary - Dimitris Syllouris
Provincial Treasurer - Andreas Georgiadis
Provincial Enlightenment Secretary - Giannakis Kasoulidis
Provincial Secretary for Farm Affairs - Takis Kharalambous
Provincial Secretary for Branch Organizations - A. Sofokleous
Provincial Secretary for Refugees, Missing Persons and Incarcerated Persons -
Eleni Vrachimi

9346

CSO: 3521/103

KHRYSOSTOMOS TAKES BELLICOSE POSITION ON UDI

Nicosia I SIMERINI in Greek 21 Nov 83 p 14

/Text/ "We should not restrict ourselves to condemnation for this new Turkish arrogant act. We must take measures to demand that the Turkish troops leave the island and not even think for one moment of tolerating this situation. We should all get ready to overturn it, even with force".

That is what Archbishop Khrysostomos said among other things during his conference with the Athenian newspaper ELEVTHEROS TYPOS.

"With this act of the Turks, if we would confront the situation with force, it would be the best opportunity", he says. "We would be absolutely justified for any reaction we may have made. How could it be, however? The Turks have uprooted the native population."

"Well, let us look at the possibility of our having reacted violently. We would be talking about a face to face confrontation with Turkey having the superior firepower. Nevertheless, we must be prepared to overturn this situation in every way and in every direction, otherwise it means that we have sold out half of Cyprus."

Does this mean that over and above the negotiations that are taking place in the international organizations, Cyprus should also be preparing for war?

"If we were covered by some other power or by the two guarantor forces, we could do something. In other words the 'green light' for a more forceful confrontation of the subject. I do not know."

9346

CSO: 3521/103

SPD'S BOERNER ON NEGOTIATIONS WITH HESSE'S GREENS

West Berlin DIE TAGESZEITUNG in German 26 Nov 83 p 15

/Interview with Hesse Acting Minister-President Holger Boerner in his offices in Wiesbaden by Klaus Peter Klingelschmidt and Max Thomas Mehr of DIE TAGESZEITUNG: "Boerner Pondering Matters?--Does the SPD Intend To Enter Into Serious Coalition Talks With the Greens, or Is It All Just a Clever Maneuver? Does Holger Boerner Perhaps Plan a Grand Coalition in Hesse?"

TAZ: Mr Minister President, in an interview you gave as recently as a year ago, you placed the Greens close to fascists. In answer to the question as to whether you could imagine sitting at a table negotiating with the Greens, you said: "You can be sure that you won't even see such pictures in a photo montage." Now you are sitting at the negotiating table with those "people incapable of conducting politics."

Boerner: To start with your quotation, I was not talking about the Greens in general, but said that if one behaved in such and such a way one was moving close to fascists. Calling a spade a spade, I cited certain phenomena of the Greens, saying among other things that a delegate's visit to Qadhdhafi constituted the background and represented a rejection of the democratic parliamentary system. If today part of the Greens are prepared to integrate into the parliamentary system, I think it is proper for me as chairman of the PSD in Hesse to pose the question as to what our Land needs. Should one push young people who behave that way into a corner, should one reject them wholesale, or should one build a bridge for them? Provided that they are sincere--and I assume that they are--I am for building that bridge. I am making no secret of the fact that I would rather have had a two-party Landtag, and in my speech in Baunatal I very clearly told the party what the risk amounted to. I also said I could not guarantee success; the Greens themselves will have to decide.

/Question/ After that turning point in the Hesse SPD at Baunatal, Mr Minister President, what is the situation as far as your party base is concerned? Did he comrades in northern Hesse have to swallow the bitter pill?

/Answer/ You are making the same mistake as many bourgeois paper, you know. You constantly use cliches. Baunatal is not a turning point but merely the temporary end of a debate. I am glad that a way fraught with such risk has been accepted by such a broad majority. I gave my reasons why I thought that we now

had to negotiate concretely with the Greens and not with the CDU. What I think is meant by political leadership is to say at the proper moment: This is the way, this is how we can do it.

/Question/ You made it clear that certain problems or projects which definitely have something to do with Green identity are not negotiable. The first example: The Runway West. The Greens demand reforestation of that concrete runway.

/Answer/ You know, the Greens can talk about anything; they just have to realize that they are talking with the SPD. What we are engaged in is no student parliament, and they have to take note of the fact that we consider decisions that have been made not to be subject to amendment.

/Question/ Precisely in the runway project there are certain individual sets of problems. The citizens' initiatives demand a ban on night flights, for instance....

/Answer/ Yes; but we are a country governed by the rule of law. As long as there are any violent demonstrations, I negotiate about nothing at all. I have kept all I have promised, including the reforestation, despite the fact that it has become much more expensive and the protective fences keep being destroyed. I will also keep the other things, but my partners in this question are the Landrat of the Greater Gerau district, the mayor of Moerfelden and the Commission for Protection Against Noise.

/Question/ Accordingly the item "reforestation of the Runway West," if the Greens insist on it, is grounds for you to let the negotiations fail?

/Answer/ There are a couple of things you must realize: what we approve of, we tell the people we negotiate with then and there, and not via DER SPIEGEL or via your newspaper. That is my kind of dealing fair and square. I stated clearly that in this question there is nothing to negotiate.

/Question/ On Thursday /24 November/ the Landtag, with the votes of Greens and Social Democrats, passed a resolution of the Main Committee which makes it clear that Hesse does not want new intermediate-range missiles to be stationed on German soil. How can this decision be implemented?

/Answer/ It is a political statement of will and does not change anything about the responsibility of the Federal government. The Landtag has no authority to decide anything in this regard. It can express its opinion, though.

/Question/ In other words, there will be no Hesse riot police searching U.S. trucks for Pershing parts?

/Answer/ (Laughing) You would like that, wouldn't you? I can imagine you would. But I am paid to notice that. No, let me state things briefly. As a rule, I mentioned what was possible and what was not. In the field of environmental politics, there are a lot of points of contact. There are some points of contact in the field of energy, but our Land-political lever is short there. We are not in the same position as Bavaria, where 60 percent of the shares of

the energy concern are in government hands. Our shares are minimal. That means we can make a lot of decisions but they are not turned into decisions by the corporations. There is a third area where I see possibilities of agreement: the question of the fringe groups of our society. I am not wedded there to classic patterns or to the Reich Insurance Statute, but one really has to try new ways there. I also told the Greens at the first round of negotiations that I am definitely amenable to the cooperative idea, that one can create patterns there. For instance, the one workshop in Frankfurt (the ASH-Ed). You see, these are things (and I also addressed that in the Baunatal speech) where the Greens can participate in changing part of society over the long term. It is a laborious process. To paraphrase Guenter Grass: "Progress is a snail."

/Question/ We would like to return to the Green identities. You yourself have already broached the question of energy policy. A year ago you said in DER SPIEGEL that the citizens' initiatives saved billions for the energy concerns. Now block B of the Biblis nuclear power plant has been turned off for a fortnight and my refrigerator is still running....

/Answer/ Well, that is why we have an integrated power grid, so you don't have to hang your sausage out of the window....

/Question/ All right. If the integrated power grid insures a continual supply of power, it follows that block B can remain shut off, doesn't it?

/Answer/ You know, I am someone who turned from an enthusiast in the nuclear power question into a skeptic. If we manage to make further economies (and I am for that, because it has many advantages), we will be able to forgo the addition of a nuclear power plant in Hesse. I am for keeping Biblis A and B. Already last year I said to the Greens in the Landtag debate: I will talk with you in the early 1990's, when there will be enough findings about economies and about burning coal without harming the environment and it will be possible to get out of nuclear power; now I think it is irresponsible to pretend one could switch off tomorrow.

/Question/ That means that abandonment of nuclear power over the long term is also possible under Boerner as minister president?

/Answer/ I would definitely say yes if in the mid-1990's the facts are the way I can size them up today--that is, the question of disposing nuclear waste has still not been solved and it can be shown at the same time that the power needs of our economy can be covered through economies and by burning coal in a manner which does not harm the environment.

/Question/ Many Greens, though, do not interpret your "nonconstruction" of Biblis C as a concession. The fact is that the RWE /Rhine-Westphalian Electricity Works Inc/ itself intends to forgo Biblis C for economic reasons.

/Answer/ That isn't so, you know. Atomic law means administering licensing. Theoretically the Federal minister could even instruct me to give the approval. Already a year ago, amid furious howls by the FDP, I prevented the minister for economics from giving the initial approval. You can check that in the record.

I will not let the Greens now ex post facto give me small change in return for this tough stand of mine in this question.

/Question/ The process of realization has taken a long time....

/Answer/ Yes, 25 years....

/Question/ Hasn't the time come for one of the skeptics regarding nuclear power and regarding the power industry's plans concerning power needs--for instance, someone from the Darmstadt Economic Institute--to become state secretary in your Economics Ministry?

/Answer/ (Laughing) Well, now we are of course getting into a tussle. I myself am a skeptic. Secondly, none other than I consistently supported the findings.

I told the people in Frankenberg at the time (there were 600 demonstrators, perhaps including you, who thought "There'll be a racket tonight"): If it is proved that the reprocessing plant is harmful, it will not be built. After the election I got only unsatisfactory answers from the industry. When they were asked when they intended to build, they vacillated, and so I said, "That's the end of it." I can tell you even now that they will not build in Draghan and in Wackersdorf either.

/Question/ Let us return briefly to the runway question. In the early 1970's the Social Democrats passed an amnesty for violations of the law in connection with the student unrests. The Greens have drafted an amnesty law concerning the Runway West confrontations....

/Answer/ It is not my fault that the Greens have got stuck in this question. They cannot make an amnesty law for a Land. I never pressed charges--not for libel either.

/Question/ But surely you can instruct the minister of justice to cease the 1,500 investigative proceedings.

/Answer/ No, I cannot. It is part of a constitutional state that the judiciary is independent. But if you say that something must be done to achieve legal calm and to liberate the region, I say: I have always held that view, and we have done so. I myself arranged meetings in this election district and saw who was still protesting and who was not. What is left is the offenses of those who have violated the law. I cannot see that the courts have meted out too harsh sentences so far. I have never commented on a sentence. Nor are there any kind of comments of mine on the Schubart proceeding. I have never answered threats, even threats of murder, I received by pressing any charges.

/Question/ Alexander Schubart too received that murder threat....

/Answer/ No, no, that is not the way it is.

/Question/ It is too.

New prison buildings are planned for Schluechtern and Weiterstadt. The Greens are against those prisons. In the Netherlands, comparable to Hesse as far as the size of the population and also concrete criminal law are concerned, the number of persons in jail is only one-third of those jailed in Hesse. Every third prisoner now serves his sentence in lieu of paying his fine.

/Answer/ I am prepared to conduct a long discussion about today's prison conditions. We are the Land that has come closest to the intentions of Fritz Bauer. That has to be said here in Herbert Guenter's (minister of justice of Hesse--Ed) honor. With our attitude we have settled on more places for prisoners who are given passes in the past few years.

We have also already started humanizing prison conditions from the inside. There is certainly a lot that can be mentioned about this subject. Only it would be a pity if the Greens were to make a fetish here of the question of building a prison which was decided after long consideration. It took 5 years for us to find a location.

/Question/ Do you really find it proper for young people to be imprisoned?

/Answer/ That is a broad field. Certainly the conditions governing the imprisonment of juveniles are not perfect. But there also are juveniles in whose case unfortunately imprisonment is the only means left of having them come to their sense. Of course, some pedagogical measure has to be combined with imprisonment. You cannot proceed on the principle that the infringement of a law by a juvenile should be answered by the state merely saying that society is at fault.

/Question/ Isn't your argument a bureaucratic one when you say that now after 5 years you have finally found a location for the new prison?

/Answer/ We need more modern prison space to be able to clear the old jails.

/Question/ Surely the prisons would be emptied if, for example, the one-third of all Hessian prisoners who serve sentences in lieu of the payment of fines were allowed to work off their fines in social institutions instead of being imprisoned, as is being done in Bremen?

/Answer/ I am prepared to discuss such ideas. I really consider that a beginning. For that reason I used the term "fetish" in connection with the new prison buildings. By concentrating on that the Greens stifle discussion about substantive questions.

/Question/ Is there a reason for shutting drug addicts in a cell?

/Answer/ That is a very good question.

/Question/ And the answer?

/Answer/ At present I don't have any answer to the drug problem.

/Question/ Surely one cannot simply put those people in prison because one does not have an answer?

/Answer/ No, and that is why we need therapeutic institutes. If you want to deal with that subject publicly, you see the limits of such conversations. It is much too serious a subject to converse about with an audience of more than 100 and television cameras. But that the Greens will have to realize themselves.

/Question/ Looking at your labor-and-environment program, one gets the impression that in Hesse capitalism is now to become ecological. You intend to create 200,000 jobs in the ecological field by the year 2000. Do you think you actually can tackle the crisis of industrial society that way? Is that not just patchwork?

/Answer/ We have arrived at the crucial point, you know. If you consider evolution within the system to be impossible, it is fairer to say that it makes no sense. Whoever negotiates with Social Democrats must realize that in their historical traditions they have no use for dictatorship of the proletariat.

/Question/ That really is not the point, you know. Let us stay in Hesse, shall we? In the office sector in the Frankfurt region, the bomb of bureaucracy is ticking away. There is a threat of a wave of job abolitions of as yet unfathomable proportions. You and the SPD claim that we are still living in a functioning industrial society, don't you? At the same time there exists that wave of rationalization as a result of which an increasing number of people become dependent on social institutions and are excluded from the labor process. Do you seriously believe it is still possible to cope with this trend with the tools of Social Democratic economic policy? Connected with this is also the question of cooperation with the Greens, who of course strive for a social pattern beyond industrialism.

/Answer/ Personally I regard a lot of what the Greens are demanding as social romanticism--the ideas of people who have never suffered hunger, who have never suffered persecution, as I did when I was young. That is not why I discount it, but the problem of course is a different one. What are we doing about the human consequences of this second or third industrial revolution? I say frankly that the labor-and-environment program is a first answer. It is being implemented not in a system of state capitalism but in a society in which there is a struggle of conflicting interests. And I am of the opinion that with certain decisions of orientation the state can rely on a lot of people changing their orientation. The economy is not nailed down all that much, you know. A lot of entrepreneurs have already discovered niches for ecological technology in the market. Beyond that, the Hesse government months ago proposed an early retirement bonus in the Bundesrat /Federal upper house/. Not the denatured way, though, of Mr. Blum's better welfare support. We want to divert economic funds and feed this process at the same time. It makes sense for older people to be sent home sooner and to integrate the younger ones in the employment system.

/Question/ You have said time and again that there is no relying on the Greens because changing majorities again and again can overturn decisions that have been made. Would the Greens not be tied down more if you made them an open coalition offer?

/Answer/ You are making the same mistake as many DER SPIEGEL reporters of not reporting about politics but wanting to make politics.

/Question/ You must have thought about it, though?

/Answer/ Of course.

/Question/ We do not want to make politics here but would like to know what you have been thinking.

/Answer/ Such questions one answers at the end, not at the beginning, of a process of clarification.

/Question/ Surely you could give us some idea of what you are thinking for us to take along when we leave?

/Answer/ I see what you lack is a headline, nothing else than a title. Why don't you say: "Boerner pondering matters; question mark"?

/Question/ Did you actually want to resign a couple of years ago when 150,000 runaway opponents demonstrated against you in Wiesbaden? Today, in contrast with that time, you are in the center of Social Democratic politics, aren't you?

/Answer/ I could reply by quoting Schiller (Wallenstein, Piccolomini): "The parties' hate and favor clouding it, his place in history remains uncertain."

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POSITION OF STRAUSS, MANEUVERING IN CSU

Bonn RHEINISCHER MERKUR/CHRIST UND WELT in German 25 Nov 83 p 11

[Article by Rudolf Lambrecht: "Successors Praise the Great Leader"]

[Text] There is no German politician about whom more wrong things have been written and said than about Franz Josef Strauss. There is no politician in the republic who has so often been the victim of caricaturists' sharp pencils than the chairman of the CSU. There is no politician of stature who has had such an "obsession with power" attributed to him as the man who once wanted to split the Union in Kreuth. There is also no politician about whom so many inaccurate cliches have been circulated as about the Bavarian prime minister, whose comeback in Bonn, according to the predictions of professional soothsayers in the last 2 weeks, had to be perfect.

Who is Franz Josef Strauss really? It is simultaneously the fortune and misfortune of the CSU chairman that most of those who talk and write about him, deal with him and use him for their own purposes, really do not want to know exactly who he is. The result is that Strauss remains a constantly fresh object for barter, for speculation, which can be thrown onto the market at one's discretion, depending on position and objective. This is always good for violent movement on the various political stockmarkets.

The advantage that the man from Munich derives from this is obvious. The threat potential that a CSU chairman has at his disposal within the Union just by virtue of his office is increased. Strauss has always sought to use this advantage. But he has repeatedly felt the painful effects of the drawbacks of this development, since he has not always remained "master of procedure." Others, who "bid" for him, generally do not leave him alone until they have "overbid" his position but have won their own game.

An example of this is the candidacy for the chancellorship in 1980. The present Minister of the Interior Friedrich Zimmermann and the secretary general of the CSU at the time, Edmund Stoiber, had forced the claim to the candidacy on an--as usual--undecided Strauss. These were Zimmermann's words at the time: "A politician of the stature of Franz Josef Strauss has the right once in his life to aspire to the office of chancellor." The end of the story was predictable and is well known. It was primarily Zimmermann who provided the

thrust for the decisive turning point in the life of "Duke Franz Josef," as the CSU leader once called himself. The turning point is synonymous here with the beginning of a long death struggle.

Strauss loves Baroque theater, he likes most of all to keep thousands of options open, he weaves busily on the fabric of the legend that he has never made a mistake in his life and for this reason he is inclined to reconstruct his picture of the world afterwards--although he constantly acts as though the opposite were the case. This is the old Bavarian way, which is so difficult to understand on this side of the blue-white border markers.

This fits in with the way the CSU chairman and "frustrated history professor" (Strauss about himself) expresses himself. He discovers historical dimensions in every possible problem, he is almost always concerned with German and the world and he claims for himself the office of guardian of Konrad Adenauer's legacy. This is the stuff from which, for all those who feel the calling, constantly new plans for the Bavarian's march on Bonn can be constructed.

Most recently, when the government disassociated itself from the United States because of the invasion of Grenada, the CSU chairman saw that his hour had come. What had to happen, happened: Strauss lays himself open to the suspicion of wanting to go to Bonn to deal, once and for all, with Genscher, the chairman of the by now classic party obstructing Strauss. The interpretation that Strauss is planning a power play seems plausible this time primarily because opinion pollsters for the government claim to have uncovered a mood of depression in the population, that is, a huge period of weakness.

The question of whether the CSU chairman really wanted to move to the Rhine must be answered in the negative. Because "rebus sic stantibus" (under the given circumstances), as Strauss is accustomed to say, there is no place for him in the government cabinet. He knows this.

Naturally, other people know this as well, such as the provisional secretary general of the CSU and chairman of the Landtag fraction Gerold Tandler, secretary of state Edmund Stoiber and the chairman of the Junge Union in Bavaria, Alfred Sauter. This did not stop them from making loud demands for their party leader's entry into the Kohl government. They even accept that the impression was created that Strauss was behind it.

The reason for their activities is obvious. The struggle for the legacy of the "leader" is starting in the CSU. Those behind Strauss think that their hour has come.

Kohl refused to accede to the demands for a quick reshuffling of his cabinet, which has to be tantamount to a partial dismantling of Strauss. Hardly anyone in the CSU believes that this effect was not included in Tandler's and Stoiber's calculations. Since the argument about the billions in credit for the GDR (Strauss: "I contrived it") and the miserable reelection results for the CSU chairman at the party congress in July this year, the pediment on which the "FJS" memorial statue is standing has been showing cracks. Furthermore,

from the CSU who are involved in the government in Bonn have shifted the main weight of the party from the Isar to the Rhine, where decisions are made.

The CSU leader has not succeeded in installing a form of subsidiary government as a result of his monthly meetings with his ministers in Bonn and the chairman of the Land groups, Theo Waigel. The Land group is well integrated into the CDU environment. Too well, Munich thinks. The situation in any case weakens CSU headquarters on the Isar.

Strauss is reacting to this development with great unease, without being able to change anything. It is no surprise that his paladins Stoiber and Tandler are becoming nervous. They are afraid that they will lose contact behind their chairman.

Strauss's power is still enough to prevent struggles among successors in the CSU. This would be more difficult in the event of a further dismantling. Stoiber and Tandler must have calculated it in this way. This is not refuted by the fact that one of them is still in the chancellery as secretary of state and the other one became provisional secretary general of the party. The purely personal state of emergency has forced Strauss to retain both of them.

Tandler has already publicly announced his claim to the office of prime minister. Stoiber is obviously still playing with precise plans for the future after the July party congress elected him to the CSU executive committee with only a humiliating return, which can be interpreted unreservedly as a crimp in his career. It is safe to assume that JU leader Sauter has been correctly identified as the trap-setter in this hunting party of self-appointed heirs.

Tandler wants to gain some breathing space to rid himself of troublesome competition. He is solidly opposed by the Minister of Finances and Upper Bavarian CSU district chairman Max Streibl. No one would pass him if there were a need now in Bavaria for a new prime minister.

Streibl is attempting to keep Stoiber and Tandler under control. With some degree of skill he has so far been able to act in a mediating capacity and replace some of the internal strength of leadership that Strauss has lost.

Theo Waigel is having difficulty in maintaining a balance between Bonn and Munich. A devious and irritated Strauss is leaning on him particularly hard. At the same time the chairman of the Land group is supposed to support Helmut Kohl and Hans-Dietrich Genscher. Like Streibl, Waigel is one of those who are having a calming effect on the party while it is moving into the most difficult phase of its history.

"Fritz" Zimmermann is currently staying under cover. Fortune is still smiling on him because he has been able to cut a good figure as Minister of the Interior. The president of the Bavarian Landtag, Franz Heubl, is also acting in a very restrained manner. By intelligent parliamentary leadership, he is increasing his reputation as a politician above the parties and in this way he is keeping his powder dry. He can still afford to wait.

One year ago the CSU chairman told the delegates at a party committee in Neuburg an der Donau: "You can rest assured that I will stay as I am." Given the current state of turmoil in the CSU, everyone can read what he likes into or out of this statement. Waigel's comment that it is the "natural right" of the party chairman to sit at the cabinet table in Bonn may be justified. "Rebus sic stantibus," Strauss is only entitled to govern in Munich. This is advantageous to the stability of the CSU as long as Strauss is successful in preventing his further dismantling.

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PASOK DISSIDENTS HOLD CLOSED-DOOR CONFERENCE

Political Positions Outlined

Athens AKROPOLIS in Greek 23 Oct 83 p 20

[Text] The "500" that came from every corner of Greece, trade unionists, representatives of local organizations and youths, began yesterday morning at 9.30 their marathon meeting in the "Athmonon" movie theater in Maroussi. Efforts were made to keep the location of the meeting secret and entrance was denied to all except that group.

The representative of the "500" Mr. Dim. Tzouvanos, who also acted as their leader and who publishes the socialist magazine "Filladio" [Pamphlet] contented himself with declaring to a reporter from the AKROPOLIS:

"Half of those present are still active members of the PASOK. Although we are determined to carry things as far as they will go, we do take our precautions."

On the first day of the meeting, yesterday, there were speakers who:

.Denounced the leadership of the PASOK for "not aiming at social change."

.Claimed that there was no prospect at all of improvement and that a struggle against the leadership policy is necessary.

.Characterized as opportunistic the founding of "parties."

This last stance is a clear alignment of the "500" with the "Kargopoulos Group" which, in an also closed meeting 15 days ago, had pointed out "the failure of the PASOK" and held that a new vehicle for the "Change" must be created.

Mr. Athanasopoulos

Only one deputy of the PASOK denied the accuracy, as far as he is concerned, of our article published last Sunday about deputies of the PASOK who disagree with Mr. Papandreou's policy and, at the same time, complain about being pushed aside and intend to become independent.

This is the deputy of the 1st Thessaloniki district Mr. N. Athanassopoulos who sent us, with a one-week delay, a related letter which we publish below.

The other PASOK deputies mentioned in the article have refrained so far from making any kind of declaration.

In last Sunday's article it was mentioned that, beside Mr. Athanassopoulos, the other dissidents were Messrs.: D. Vounatsos deputy of Lesvos, I. Papailias of Attica, A. Mantelis of Cephalonia, Y. Papadimitriou of Aetoloakarnania, A. Sekhio-tis of Arcadia, St. Tsaparas of the 2nd Thessaloniki district, S. Rallis of Corfou, D. Diamantidis of the 2nd Piraeus district, I. Kefalidis of Drama and E. Anthopoulos of Serres.

As for Mr. Athanasopoulos' letter, it is as follows:

"Mr. Editor,

In your newspaper of last Sunday an article was published with huge headlines and, according to its content, 2 groups of PASOK deputies are leaving Andreas, each one for a different reason and the article went on to say that I belong to the second group of PASOK deputies who are ready to take their hats and leave because they are displeased.

I give you the following answer to the foregoing publication:

Firstly, there is no first and second group within the PASOK intending to change sides but one and only one, undivided Parliamentary group.

Secondly, you vainly hope that we will offer the right an opportunity such as that of 1965, because we do not intend to betray our cause and, thirdly, I do not wish to have my person involved in such false informations fabricated for political consumption.

I request the inclusion of my letter in your newspaper of next Sunday. That is why I have instructed a bailiff to deliver it formally to Mr. Levidis, editor of the newspaper AKROPOLIS."

PASOK Government Criticized

Athens MESIMVRINI in Greek 24 Oct 83 p 3

[Article by M. Kanimas "They Govern Experimentally"]

[Text] Party policy assessments by dissident cadres of the PASOK at their third successive panhellenic conference, which took place last Saturday and Sunday in Athens, were disappointing for the PASOK.

470 "active" and expelled cadres from the entire nation participated in the conference, and the general conclusions they reached are that:

."The governmental and party policy of the PASOK leaders cannot lead to the change." "There is no prospect whatsoever for a change in the outlook of the political leadership of the party." "There is a need for and a possibility of a coordinated, panhellenic effort to orient the doubts as to the prevailing policy of the masses outside the party."

It was claimed that such an effort must rest on the initiatives that arise locally, in branches and in centers "without institutionalizing a binding

procedure of some sort." It was also claimed that the impasse cannot be resolved with "the logic of bringing together opportunistic parties" but "by acting on the basis of the orienting and uniting evolution of the socio-political struggle."

The meeting was organized by an initiative group and the "Filladio" [Pamphlet] magazine, in the "Athmonon" movie theater, in Amaroussi, where the slogan "Let experimentation stop and marxism conquer" prevailed.

There were 25 talks during the meeting, related to various points on shaping a policy, class and ideological unity and the speakers claimed among other things that:

.The policy followed by the PASOK is the one elaborated long before 1974 by K. Karamanlis who is the standard bearer of the middle classes. The accepted viewpoint is that the prerequisite for national unanimity is unanimity at the top." "When the PASOK came to power Andreas Papandreou said that he would be the Premier of all the Greeks and that he would cooperate with the President of the Republic."

.It is those who never fought for the aims of the PASOK who govern us today. Each one of us must become a leader in our place of work, in the city and in the village. In this way the movement which will need neither leaders nor chiefs will spring up.

.The practises of the PASOK are collapsing and an increase in the degree of doubts can be seen. There is an economic decline, there are half a million unemployed in the country. While we are discussing here, Andreas and Arsenis are issuing orders.

.They themselves(those at the head of the PASOK) are the cause of the low level of politicization in the PASOK. They are corroding the party.

.An ideological change is imperative in the PASOK. Our relations with it are antagonistic. There is a tendency among us to drift away from the party. On the other hand, there is a need for a guiding intervention from within the movement of the masses.

.I see an undercurrent of fighting within the PASOK, which takes place in the name of a real unity.

.A comrade said that we the 300 or 400 are the most vital elements of the PASOK. We should go and jump in a lake if the PASOK is unable to produce better ones than us. There is a very clear danger of our getting a raw deal...

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CSO: 3521/75

POLL FINDS SLIGHT MAJORITY IN FAVOR OF AUSTERITY MEASURES

Reykjavik MORGUNBLADID in Icelandic 18 Nov 83 pp 32,16-17

/Text/ Approximately one-half of the population believe that it will be possible to bring inflation down to a level similar to that in neighboring countries in the course of the next year, according to an opinion poll conducted by Hagvangur, Inc, and released exclusively to MORGUNBLADID.

Fifty-three percent of the persons polled answered "yes" to a question dealing with the above topic; 34.7 percent answered "no"; and 12.3 percent were undecided. The opinion poll covered the entire country, involving 1,300 participants fifteen years and older, chosen on a random basis from the national census by the University Statistical Center, with permission from the National Economic Bureau and Computer Committee. The percentage of replies from the gross sample was 76.9 percent, from the net sample 85.7 percent. The poll was conducted by telephone between 28 October and 6 November.

The question dealing with inflation was worded as follows: "Do you believe that it will be possible in 1984 to bring inflation down to the same level as in the neighboring countries?"

Men showed a higher percentage of belief than women in the possibility of winning the battle against inflation; of them, 62.1 percent, compared with only 43.7 percent of women, answered the question "yes." People living in the national capital area did not show as high a level of belief in winning the battle as people in the rural districts. Not quite half--49.3 percent--of the capital area residents answered "yes," 39.6 percent answered "no." Of people in densely inhabited rural districts, 58.8 percent answered "yes," in sparsely inhabited rural districts 57 percent answered "yes."

The Hagvangur opinion poll also asked about opinions on big industry and the sale of beer with alcoholic content by the state alcohol monopoly; the results from these questions will be printed in MORGUNBLADID in the next few days.

Opinion Poll Result Figures from Hagvangur, Inc.

We have published below the detailed results from Hagvangur's second opinion poll of the year, involving inflation, big industry, and alcoholic beer. The poll was conducted throughout the entire country, involving 1,300 participants 15 years old and above, chosen at random from the national census by the University Statistical Center, with permission from the National Economic Bureau and Computer Committee.

The percentage of replies from the gross sample was 76.9 percent, from the net sample 85.7 percent. The answers appeared to show different characteristics for various subgroups within the sample, subgroups determined by sex, age, place of residence, etc. The poll was conducted by telephone between 28 October and 6 November.

The poll showed that in most instances more women than men indicated that they were undecided on the issues, that is, that a larger percentage of women opted for the possible reply "don't know." In the case of the alcoholic beer question, however, the divisions between the sexes were almost equal.

The answers of the participants in the national capital area differed from those of participants from other areas in the questions on inflation and alcoholic beer. A smaller percentage of people living in the capital area thought that inflation would reach the same level as the neighboring countries in 1984; the same persons were more in favor, compared with people living elsewhere in the country, that alcoholic beer ought to be permitted to be sold by the state alcohol monopoly.

The individual statistics are shown here. Percentages have been rounded off to the nearest tenth, and so they will not always add up to exactly 100 percent.

Keyed graph follows

1) Trúir þú því að hægt sé að ná verðbólgunni niður á sama stig og í nágrannalöndunum á árinu 1984?

	%	6) Karlar	7) Konur
3) Já	53,0		
4) Nei	34,7	62,1	43,7
5) Veit ekki	12,3	29,9	39,5
		8,1	16,8

2) Niðurstaða skoðanakönnunar Hagvangs hf. um verðbólguþaráttuna

	Höfuðborgar- 8) svæðið	9) Þéttbýli	10) Dreifbýli
Já	49,3	58,8	57,0
Nei	39,6	28,0	26,7
Veit ekki	11,1	13,2	16,3

- Key: 1) Do you believe that it will be possible in 1984 to bring inflation down to the same level as in the neighboring countries?
 2) Results from the Opinion Poll of Hagvanger, Inc, Concerning the Battle against Inflation.
 3) Yes
 4) No
 5) Don't know
 6) Men
 7) Women
 8) National Capital Area
 9) Densely Populated Areas
 10) Sparsely Populated Areas

POLICY TOWARD CENTRAL AMERICA, SURINAME

Zurich NEUE ZUERCHER ZEITUNG in German 16 Nov 83 p 4

[Article by T. H.: "Independent Features"]

[Text] Brussels, early November--The Dutch Government's criticism of the U.S. invasion of Grenada has again made it clear that in the case of the Caribbean and Central America, the Netherlands' concept of foreign policy exhibits independent features. In this connection, two factors can be noted: the special relations with its former colonies of Suriname and Netherlands Antilles and also the intense interest, in this particular instance, of religious groups in Central American social and political conflicts.

The Haag basically holds the positions jointly shared by EEC countries, although it goes beyond them in certain details. The Ministry of Foreign Affairs takes the view that the increasingly violent conflicts in Central America are attributable to deplorable social and economic conditions and can be resolved only through political settlements. The ministry thus believes it is important to keep these conflicts separate from the East-West confrontation as much as possible. Conversely, the tendency of the U.S. administration to view Central American problems as an expression of global confrontation meets with little sympathy in The Hague.

El Salvador

If the Dutch Government's support of the Contadora Group's initiative coincides with the position of other EEC countries, The Hague, nevertheless, goes further, at least with regard to its policy on El Salvador. The never completely explained murder of three Dutch journalists, which, most people are convinced, can be blamed on far-right death squads, has left a deep dislike of the Salvadoran Government. In contacts with the Salvadoran Government, Hague diplomats got the impression that the politicians were not strong enough to control the militarily connected terrorist groups. The contacts with Dutch Foreign Affairs Minister van den Broek has established with the opposition must be viewed against this background. Understanding is thus expressed in the Dutch capital for the Salvadoran opposition's stand of refusing to participate in elections so long as the government cannot guarantee the safety of opposition candidates. As a result, the chances for a political settlement are critically diminished.

The Dutch Foreign Affairs Ministry views the increased outfitting and training of the Salvadoran Army by the United States as a further obstacle to a political settlement, since the military's position of striving for a victory over the opposition on the battlefield is thereby strengthened and the position of civilian politicians is weakened. This indirect criticism of the United States, however, is coupled with an understanding of Washington's misgivings concerning the participation of the opposition FDR [Revolutionary Democratic Front] in the government.

The possibility of promoting peaceful change in El Salvador is limited; the organization of Dutch developmental policy, which is oriented to the needs of the poorest countries, is also and especially an obstacle to this. For example, countries such as Costa Rica cannot be considered for developmental aid, since they are over the respective minimum income level. It is readily admitted that with such a developmental policy, Central American countries must first experience economic decay before they can benefit from developmental aid.

Nicaragua

Developmental cooperation with Nicaragua is continuing despite harsh criticism of the Sandinist regime. Dutch aid to Nicaragua currently amounts to 45 million guilders and is expected to continue, even though the Nicaraguan Government has strayed from its original ideals. The U.S. policy of forcing Nicaragua, through isolation, to follow a certain political course may have contributed to a hardening of domestic policy, but it is not the actual cause of the departure from the goals of the revolution. On the contrary, in the view of the Dutch Government, the change has resulted from the growing influence of Marxist forces.

Suriname

No decision has yet been made concerning the resumption of economic aid to Suriname, even though Paramaribo's strong man, Bouterse, has ordered the expulsion of Cubans. Aid was stopped in late 1982 after Bouterse had 14 political opponents executed. Both before and afterward, the Dutch Government took the position that a return to normal relations was possible only if there were guarantees of a democratic development. Foreign Affairs Minister van den Broek has intimated that this can hardly be expected as long as Bouterse remains in power. Loosening of the ties between Suriname and Cuba is not considered decisive, since Bouterse previously often altered his course as long as he considered it useful for assuring his own personal power. In the Dutch Government's view, the Cuban presence in Suriname was never as dramatic as Washington described it. Reports of the presence of thousands of Cubans could never be confirmed by diplomatic representatives themselves.

As for further development in Suriname, The Hague has apparently made preparations for a longer dry period.

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CSO: 3620/69

PERSONAL, POLITICAL INSIGHTS INTO FINANCE MINISTER ERNANI LOPES

Lisbon EXPRESSO in Portuguese 15 Oct 83 pp 14R-17R

[Interview by Maria Joao Avillez]

[Text] "There is a group of ethical values represented in military life. Later, however, upon deeper reflection, I realized it was possible to serve these same values in civilian life." These are the terms Finance Minister Ernani Lopes uses to sum up his character. It is a character that emerges progressively, bearing strong personal and solitary features, in Portuguese politics.

"Yes, mister minister."

The minister hangs up the telephone in resignation.

He understood it was definitely useless to insist.

On the other end of the line, Ernani Lopes explains to one of his colleagues in the ninth government, using only the necessary words in a colloquial tone, that it had to be this way.

"There is no money and I will not give in."

For the first time since the 25th of April 1974, the Portuguese state budget will be "radically" cut. Symptomatically, this is due more to the character of the new finance minister than to good sense or mere prudence.

"We are doing what is strictly indispensable," he will later tell me with serene conviction while smoking the ever present pipe in his Terreiro do Paco office. He does not clash with the surroundings: both are impressive.

Demarcated Ground

I am allowed to walk along a demarcated area, to follow a very narrow corridor because the minister does not like to be disturbed, much less talked about. In other words, he detests being talked about. So, I am kindly asked to be brief

("I have to leave in half an hour for the prime minister's lunch in Sintra.") and, above all, not to enter off limits areas such as his boyhood.

"Is it or is it not always true that we are all marked by our childhood?"

In this manner, the minister cleverly returns the question and looks at me squarely, hoping I consider the matter closed.

Ernani Rodrigues Lopes was born 41 years ago in Lisbon. He is the only child of a modest couple who lived in a small house on Rua da Palma.

His father was a tailor and his mother a housewife.

"It was a three-person household where we led the austere life imposed on us by the circumstances," the minister underscores today.

He did not go to high school. He enrolled instead in business school which was considered to be "the high school of the well off" at the time. He was regarded as being "an attentive, hard-working and studious student," according to someone who knew him then.

However, it was in the then Superior Institute of Economic and Financial Sciences that his ability shone and made him "the top" student in his class. Nevertheless, the joy he gave his parents by realizing their dream of having a child obtain a university degree, was more important to him than the personal satisfaction or the pride of getting 17 for a final grade in his masters degree in economics.

Furthermore, it would be improper not to point that, in the end, was the degree not the natural outcome of a home environment where, according to the words of this former student, "education, the value of work and seriousness" were valued above all else?

Did he not accept very early his condition as the son of humble parents and begin to give math lessons to balance the unstable family budget while he was still an adolescent?

Economist-General?

There was more, however. There was a basic streak in his character that has been with him for a long time and, to this day, remains a revealing indication of how he faces and conducts himself in life. He has a strong liking for and a unique tendency toward military values.

Rui Machete, who has been his friend since their days in the Naval Administration School where they met and began a "long trek" that continues to this day and makes these government colleagues "two close friends," recalls: "He deeply believed in military values understood in their purest and exact sense. He believed in them for what they can mean in the way of sacrifice for the nation and for others."

"If he were not an economist he would be a general. He values, first and foremost, discipline, order, authority and respect for hierarchy," states a close assistant.

An economist says, for example, "He has a military point of view even in the way he deals with people!"

However, it was not only the spectacular side of the military role that captivated him, far from it. It was already the notion of "service," and "cause" that was taking root in his way of feeling and acting.

"I consider military service to be a very important phase in people's lives. I confess that, at one time, I even considered following a military career," recalls the finance minister now.

"There is a group of ethical values represented in military life. Later, however, upon deeper reflection, I realized it was possible to serve these same values in civilian life."

Ernani Lopes sits up in his big mustard yellow chair, prepares his pipe again and continues as he measures his words.

"Giving, sacrificing and discipline are representative elements of military life but, on further reflection, they are not exclusive to it."

He began his military service at age 22. That same year he married Isabel Raposo Cordeiro, a classmate.

It was thus common to see Ernani Lopes in Alfeite having a discussion with Rui Machete or Santos Silva, talking with Mario Valadas, Mario Baptista or Bernardo Xavier, or having a friendly chat with Diogo Freitas do Amaral or Adelino Amaro da Costa.

However, like his regard for the values of discipline, order and sacrifice, the discovery of religion during his university days came to change irreversibly and to introduce a new dimension into his way of being and in his relationship with others. His family did not have a religious tradition nor did it produce any religion. Ernani Lopes was never touched or moved by metaphysical concerns in his childhood or even as an adolescent. While a university student, his readings, the profound discussions with friends, intellectual discussions and, especially, (as he himself underscores today) "an inner reflection" led him to a religious experience that becomes absolutely decisive in the future.

"His metaphysical learnings resulted in there being a strong religious element in our conversations," says another classmate.

An associate explains: "Religion is what determines above all his thinking and actions. The great strength of his convictions has a religious base. It is the base of someone who feels secure because he has a set of values to guide him like a model."

The Empire and Democracy

And what about politics? What meaning did politics have at that time for the young university student and navy midshipman?

"I think that, at that time, he still believed more in the empire than in democracy," recalls a former classmate smiling.

"The two of us had long talks.... Sometimes he would tell me I was the one who converted him to democracy," says Vitor Constancio in turn.

"Me? I had political concerns like everyone else," the minister now says.

"I showed them to a close group of friends who, curiously, later scattered throughout the political spectrum."

Friends?

His friends come from two well defined areas: the catholic milieu and the navy. The solidarity of those times remains unchanged today. But there are also the university friends," recollects a friend.

Ernani Lopes' "political concerns" were formed by reading Max Weber, by the in-depth study of political sociology and by his interest in everything related with the workings of states.

Far From the Limelight

He was invited to become a member of an ANP study group in the beginning of the 70's but turned it down.

He preferred to continue looking at politics, or at least its practice, from afar.

Not even the liberal wing, which was in full swing at the time, seems to have seduced him. As a contemporary eyewitness suggests, perhaps it was because "political phenomenon and the mechanisms of government interested him much more from a strategic point of view, far from the limelight and the stage of political passions."

Meanwhile, the academic crisis emerged. Having been appointed assistant professor in 1967 and given the direction over certain courses at the ISCEF, Ernani Lopes caught the full impact of the student turbulence and agitation.

He watched, outwardly unemotional but concerned, as the structures shook and order was subverted.

As one of his former students explains, "Nevertheless, he continued to be a calm teacher who was concerned, in the sense that he had a strong tendency to generalize and put things in a broader context."

"He almost forgot the tree in order to emphasize the forest," recalls another former student.

And although he expressed "clear reservations" within the confines of the old house on Quelhas Street about the way the student crisis was developing, although he disliked the "agitated manner and uncontrolled environment in which things were happening," Ernani Lopes controlled the tension well among the faculty.

Economist and professor Manuel Pinto Barbosa, who was Lopes' colleague teaching first year courses, points out what was certainly the most important feature of Ernani Lopes' passage as a professor of economics.

"He never once showed hesitation while leading our team nor in guiding and directing the work. In addition, he always provided the needed backup in pedagogic and scientific guidance to his subordinates' activities."

Above all, the professor maintained what he himself called "the internal balance of the team." Pinto Barbosa also recalls, "that it was not easy to obtain at that time of instability and dissatisfaction."

"In this respect, I think he was a leader who carried out his duties as an educator impeccably," he adds.

But there are discordant voices and those who listen to them hear the following: "He was authoritarian and took himself too seriously. He spoke down to people and he was full of himself.... Sometimes it bordered on the arrogant!"

The minister, for his part, confesses to being "timid" which, as a matter of fact, he is.

However, when I next ask him to classify himself, to talk about himself, to permit such a dialogue, he categorically refuses. He feels the conversation can suddenly slide toward prohibited directions and without batting an eye he looks at me coldly through his severe glasses and says dryly: "I will not tell you how I classify myself."

"A Magnificent Leader"

Ernani Lopes, arrogant?

Once again the opinions are not in harmony. What is certain is that one frequently hears such words as "arrogance," "intolerance," "pompous," "proud," "developed ego," "overly sure of himself"...said about him.

There is even someone who knows him well and does not hesitate to say, "Ernani? He thinks he is a magnificent leader."

A very close associate contradicts these impressions. This person maintains that "he is too prudent to be arrogant."

"Arrogance always implies showing off. Ernani Lopes is too prudent for that....," he justifies.

Once again, it is Rui Machete, who introduces the nuance that will possibly clarify matters.

"He has the pride peculiar to someone with a spirit of mission. It is a fact that he is someone who is very sure of himself. He is a voluntarist who believes the world must be changed by people."

Mission and Service

A spirit of mission?

For once, the chorus is in harmony. Friends and adversaries, acquaintances or family, colleagues, associates, professors or students, they all agree on this point: his spirit of "sacrifice" and "mission" underly almost all of this man's words and deeds.

Furthermore, it is Ernani Lopes himself who will choose the words "mission" or "service" throughout the conversation that lasted more than one hour.

For example, he says in reference to the invitation to join the research office of the Bank of Portugal in 1967: "The invitation required a certain kind of life and work. In practice, there were other alternatives...better ones, if we consider the financial side and even others. But it seemed to me that what was at stake involved working with overall economic problems and matters peculiar to a central bank."

Was it not also that "spirit of mission" that made him accept the ambassadorial appointment to Bonn in 1975?

"The place had some importance. I believed the external component of Portuguese life would be decisive in the evolution of the entire situation. At that time, I had to accept it and that is what I did. It was like a job. I changed an important chunk of my life for this and when I did it I did not know how long it was going to be for...."

However, there are those who have different explanations. These people say that Ernani Lopes at that time saw in the invitation the desire of some influential military men to remove him from Lisbon because they found him "troublesome" and capable of opposing "the nation's communization...."

Speaking of 25 April 1974, he now says, "It was not unexpected...."

He adds, "Something was going to happen and it did."

Furthermore, he will use the same dry words to explain something those who are closer to him know broke his heart: the loss of Africa.

"It was the evolution of history which was not unexpected." Period. However, we both knew then that, in the end, it was much more than that for him. But the minister turned the page.

And when I ask him face to face about possibly having nostalgia for not having fulfilled his military obligation in Africa he hesitates for a brief moment and his eyes flash with surprise. But he responds, quickly.

"Problems must be resolved when they arise. That one did not even arise...."

It will not be completely by chance that one of his colleagues in the government will state with conviction that "the minister of finance is a much more fragile person than he lets on...."

Bonn and Brussels

He followed Portuguese political activity with intense attention from Bonn where he had gone with his wife, four children, his books ("To me, reading is a learning tool and a basis of meditation.") and his records of Wagner, Beethoven, Bach, Vivaldi and Mozart ("In that order," he explains.). In addition, he particularly followed the PSD [Social Democratic Party] which he had joined in 1974 because he felt that "responsible people could not seek refuge in self-indulgence at a time of such importance."

"Ernani Lopes had a good relationship with Sa Carneiro for some time. And the leader of the PSD had high regards for his political judgment as an ambassador," recalls a social democrat.

Another underscores that, still, Sa Carneiro never made Lopes his official economist.

The Lopes family exchanged West Germany for Belgium 4 years later and Brussels received the new ambassador and chief of the Portuguese mission to the European Communities.

At that time, Ernani Lopes was what we call "an independent." He had left the PSD a short time before because his membership in the party was appearing to be more and more contradictory to him.

"For a long time we were both accused of forming an axis within the PSD. It was said that we wanted to draw close to the PS [Socialist Party] by way of Germany," recalls Rui Machete.

Be that as it may, in 1979, they both left in the exodus that dragged along with it more than 40 deputies and some other social democrats that held high level positions in the party.

"At that time, I did not have a reason for being there," recalls the finance minister. "It seemed to me that we did not have the best direction as a nation so I left with several other people."

He pauses and afterward an ironic flash quickly passes through his eyes.

"What I did not do was to follow them in joining other organizations...."

Another pause, another irony: "Nor in returning...."

"Our Prussian Ambassador"

There is no denying that while an ambassador, he left a strong personal impression in both countries.

He can charm or irritate, please or annoy. However, no one will remain indifferent to him and he will remain faithful to himself and continue to be as he has been up to that point, loyal to his convictions, determined, exacting and willful.

With or without visitors at home, he will not hesitate to pray out loud each time his family, friends or diplomats sit around the oval table to eat.

His somewhat militaristic demeanor and the pleasure he showed whenever he was asked to observe military exercises led a well known member of the Bundestag to comment one day with a smile, "This, our Prussian ambassador!"

But his diplomatic tasks did not prevent him from realizing one of his greatest desires: his doctorate.

He began preparing his dissertation in earnest (he had already outlined it in Lisbon) while still in Bonn. In Brussels, he reconciled steady study with meetings, reports and trips. Every weekend, without exception, was sacrificed. The family found this "perfectly normal" and surrounded its head with the necessary silence and environment. But, at his busiest, he never did without his well prepared lunch and dinner nor the company of an excellent wine....

Controversial Dissertation

Ernani Lopes made his trips to the foreign ministry coincide with his work on the doctoral dissertation. To do this, he would visit the economic professor who, at his request, supervised the progress of his academic work in the professor's home.

"He would show up here every month, we would work long hours, sometimes 2 or 3 days in a row. He would send me his texts from abroad afterward for me to analyze. It was remarkable how he managed to reconcile the pressure of diplomatic life with the work and anxiety of his dissertation," says the professor.

Yet, after more than a year, his doctorate in economics from the Catholic University of Lisbon (where he defended his dissertation before a jury presided by Antunes Varela and composed of Cavaco e Silva, Andriano Moreira, Jacinto Nunes, Pinto Barbosa and Alfredo Sousa) still raises controversy and discussion. One member of the jury put the less than happy picture that remains of the event to "different schools of thought." A fellow economist says that "Ernani Lopes' view of things deals much more with institutions and the relation of forces than with the technical or economic aspects."

He himself gives me the impression that he does not like to discuss this topic and he avoids it as much as he can.

"It was what might have been expected and it corresponded to a particularly important stage in my life. I think there are different conceptions of what economic analysis is."

Of course, I did not learn through him that he was under great emotional strain on the second day of his exam because his father-in-law, Professor Arsenio Cordeiro, had died a few years before. The professor's imposing character, his moral and intellectual demeanor had always influenced the young son-in-law. This was so much so that he would say he was "the person who influenced him most."

Finally, the Government

Meanwhile, during his two days abroad, he was more than once invited or at least, "persistently sounded out" for a government post.

Some say he went through an "Eanist" period. Some think he is sympathetic to the current form of government, some declare that, in his eyes, it represents the ideal solution.

However, it is also known that, in 1980, the then ambassador to the EEC responded favorably to the concept proposed by Sa Carneiro in "One President, One Majority, One Government." It is said that he sincerely believed the nation's stability rested on this.

Although he did not publicly support Soares Carneiro's candidacy (Was he not reassured by the knowledge that his friend Rui Machete was directly involved in this very thing?), there are those who knew he was uneasy with Eanes' second victory.

True or false? It is a mystery. The minister himself is unfathomable....

Here he is today, the head of the most difficult government portfolio, during one of the worst economic crises the country has gone through.

Dramatic Situations

Why?

Ernani has always had a tendency toward dramatic situations..., "says one of his colleagues.

"He likes complicated situations where he has an important role...."

"It is true that he was losing speed. The doctoral dissertation did not go well...."

Or also: "The next invitation to join the government would occur in much worse circumstances...."

Someone who claims to know the real reasons for his return (that even now amazes many people) told me the following: "Most of all, he wanted to return.

He finished his doctorate and he had been out of the country for almost 10 years. But there was something, something like a pebble in one's shoes: How to return? He had to return on top. That is exactly what he did."

As for the minister, he himself speaks once again of "mission." However, this time his tone of voice is even graver and more austere, his attitude is more aloof.

"The only thing I know is that I am going to die and I will have to give an accounting of myself. When I give it, I do not want to carry the burden of having said no at this time. I believe the thing that separates serious people from other people is when, in crises and tense situations, ethical criteria prevails over other criteria. This is like a duty."

Ernani Lopes continues to speak about serious things, as he likes to do.

"Duty is one of my tenets and so is honor. The problem of values is fundamental but people forget that...."

He turns to his administrative assistant and asks him for a certain paper and a few minutes later he shows me something already underlined in red.

"We must give more value to work instead of fraud, honor instead of opportunism, the spirit of competition instead of privilege, legitimate gains instead of speculative greed or subsidy chasing." This was taken from the speech he made before parliament to introduce the government's program.

"This will already give you a good indication," he adds in the end.

Ernani Lopes changes position at the photographer's suggestion. He walks over to his desk and sits under a beautiful tapestry that practically takes up the entire wall in his office. He seems clearly willing to continue, not noticing that the initially scheduled half hour has already been over for some time.

Generally Liked

What does his impressive stature hide? What does he think behind his always almost cold stare? What lies behind the great formality that the persistent use of a vest does not betray? Who is this unusually serious, grave, willful and determined man who has conviction but "is capable of changing his mind when given good arguments and always before making a decision"?

It is known that he has captured his colleagues' affection. In fact, one of them, Alvaro Barreto, says, "He is generally liked in the council of ministers. The differences that arise at times are always caused by different conceptions or by simple problems of operation, never because of personal motives.

It is also known that he is "loyal to his lifelong friends," able to crack a good joke, true to his summers in S. Martinho where he prizes the "civilized climate" of the northern resort.

It is also known that he delights in listening to Beethoven's quartets in complete silence. In fact, this is also the case with Wagner. These are by far his favorite composers. He hates sports. This aversion to sports is due to the fact that he is "extremely clumsy." It is also known that after two gin and tonics his tongue loosens.... However, he has stopped drinking since entering the government.

Finally, it is known that his guarded family life and his work are the two springboards of his life. They are the center through which everything passes; they are the heart, the vital nerve.

Building the Future

I then speak to him about the other side of life, the amusing side it can have, the sense of festivity and of pleasure.

The minister does not appear confused or interested.

"To give or not give life a festive purpose is one option. It has not been mine. I value more the side...well...the one you describe as 'serious.' Building the future is what guides me."

What future?

"What has always concerned and interested me is our existence as a nation and the unity of Portugal."

Discreetly in Front

This excerpt from Ernani Lopes' introduction to his doctoral dissertation will, perhaps, remain longer than the words, better than the questions and the conceivable answers and deeper than the impression we received.

"The working conditions in Lisbon, Bonn and Brussels under which this dissertation was prepared were not particularly favorable. Of all those who for several years endured its human costs, it was my wife and our children who sacrificed the most. Nothing is served by rehashing the themes usually alluded to in this context. The only power capable of surmounting the lost time and the moments that should have been lived and were not, the only power capable of surmounting life and filling the emptiness created in it (or by it) is the power of a moral attitude...."

And just what place does ambition have in this serious person? What predilection does he have for politics, what desire does he have for power?

Does he have them?

Of course he does. Has he not been in the high stakes area since the beginning? Without ever having the need to take the initiative, there he is, always right up front. On top, but so discreetly that, perhaps no one has really noticed....

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POLL REGISTERS FIRST GAIN IN SUPPORT FOR WAGE-EARNER FUNDS

Stockholm DAGENS NYHETER in Swedish 29 Nov 83 p 7

[Article by Sven Svensson: "Compact Majority Against But...A Few More in Favor of Funds"]

[Text] The wage-earner funds have received increased support in the voter polls after the government proposal was submitted. The DAGENS NYHETER (DN/IMU [Institute for Market Research]) poll for November shows this. Twenty-seven percent feel that the funds are good for the country, compared to 23 percent a month ago. The number of voters who consider the funds bad has decreased from 57 percent in October to 55 percent in November.

In spite of the increase, there is thus a convincing majority among the voters who are against the funds. This is true even if one adds the number of undecided voters, that has decreased from 19 to 18 percent on the yes-side.

The explanation of why the funds have received somewhat increased support is mainly because the LO [Swedish Trade Union Confederation] groups to a great extent are joining the wage-earner fund proposal. Forty percent of the LO-members now think the wage-earner proposal good for the country, compared to 29 percent a month ago. At the same time, the number of undecided voters among the LO-members has decreased from 24 to 15 percent.

Even among the Social Democratic voters, there has been a corresponding change. Every second Social Democrat, 50 percent, believes the funds to be good, compared to 47 percent a month ago. The number of undecided members has at the same time decreased from 29 to 26 percent. That figure should be compared to the average for the undecided, which is 18 percent.

One thousand forty-one voters are participating in the poll which closed 13 November.

The question was:

"The Social Democratic Party and LO has submitted a proposal for wage-earner funds. In your opinion, would it be good or bad for the country if his fund proposal was realized?"

	October	November
Very good	5	7
Rather good	18	20
Very bad	21	21
Rather bad	36	34
Undecided	19	18

These figures mean that the number of people who believe that the funds are good for the country has gone up from 23 to 27 percent, and that the number of people who believe the funds to be bad has gone down from 57 to 55 percent.

Within the non-Socialist block, there are 4 percent who believe the funds are good and 87 percent who believe they are bad, while 8 percent are undecided. The figure for those who thought the funds were bad reached 90 percent last month.

Within the whole Socialist block, 52 percent believe the funds to be good, 5 percent to be bad, and 24 percent "don't know."

Two Against One

The first poll about the wage-earner funds took place in September 1981. At that time, those in favor of funds and those against were practically even, 37 percent believed the funds were good, 36 percent believed they were bad, and 27 percent answered "don't know."

The two latest polls indicate that there will hardly be a balance between the yes and no sides within a foreseeable future. There are now two fund opponents to every one in favor of the funds.

A supplementary question was added for the first time in November, after the latest proposal had been submitted to the Riksdag.

The question was:

"The Palme government has recently clarified how they want the funds to be set up. Five wage-earner funds can each own at the most 8 percent of the shares in companies listed on the stock exchange. Also, the funds shall be able to lend out money to economic organizations and to buy themselves into smaller or middlesized companies. The fund system could be complemented by a special fund of 100 million kronor for the financing of small companies.

How do you feel about the government's new proposal, compared to earlier proposals from the Social Democrats of LO?"

Small Changes

Of all the voters, 24 percent consider the new proposal better than earlier ones, 39 percent consider it equally good/bad, 10 percent feel it is worse, and 28 percent answered "don't know."

Members of the TCO [Swedish Central Organization of Salaried Employees] generally believe the new proposal to be better than earlier variations, while members of the Moderate Coalition Party and the Center Party to a man answer "equally good/bad."

Thirty percent of the Social Democrats believe the proposal to be better than earlier ones, and 32 percent of the members of the VPK [Communist Left Party] feel the same.

Among the pro-fund voters of totally 27 percent, slightly more than 4 out of every 10 believe that the government's new proposal is better than earlier proposals. Only 10 percent feel the modifications are for the worse. There are no important differences between those voters who think the funds are "very good" and those who think they are only "rather good."

Among the fund opponents of altogether 55 percent, most consider the new proposal to be as bad as or worse than earlier Social Democratic proposals.

Nineteen percent of the fund opponents still consider the government proposal an improvement compared to earlier ones. Mostly non-Socialist voters believe this, without therefore accepting the fund proposal.



The wage-earner funds have received increased support in the voter polls since the government's proposal was submitted to the Riksdag a few weeks ago. Last November 27 percent of the voters considered the wage-earner funds good for the country, compared to 23 percent a month earlier. At the same time, the opponents, who still have a clear majority, have decreased from 57 percent in October to 55 percent in November. The number of undecided voters has decreased from 19 percent to 18 percent during the same time.

9843

CS0: 3650/59

KISLALI SEES HOPE, URGES PERSPECTIVE IN COE-TURKISH RELATIONS

Istanbul HURRIYET in Turkish 24 Nov 83 p 15

[Article by Mehmet Ali Kislali in column "From Ankara": "Turkey in the Council of Europe"]

[Text] The Council of Europe [COE] is an organization of "Free Europe" of which Turkey is proud to be a part. This organization's Council of Foreign Ministers is meeting today. It will both review Turkey's progress in the restoration of democracy and discuss recent developments in Cyprus.

Another body of the Council of Europe is the "Assembly." European "nations which, at reasonable intervals, hold free elections by secret ballot" send representatives from their parliaments to it. Freely-elected parliaments resumed in Turkey as of 6 November. However, the COE Assembly is to decide at the end of January whether to admit the representatives of our new Assembly.

European nations whose parliaments are not formed by free elections are not admitted to the COE. But since the "provisional" status accruing to the 12 September period in Turkey was taken into account by the governments of the member nations, if not by the COE Assembly itself, Turkey was not expelled from the Council of Europe. Ilter Turkmen has attended the spring and fall conferences of COE foreign ministers each year.

Turkmen was comfortably prepared for today's meeting owing to the auspicious atmosphere of the 6 November elections. He knew what they would say. They were going to bring up whether the military, having seized the administration and dismissed the elected houses of parliament in Turkey, was keeping its promise as it had before.

There had been certain developments which had a large impact on the European press that was keeping an eye on the elections in Turkey. Only a limited number of parties had been able to take part in the elections, but a formidable percentage of the Turkish electorate had rushed to the ballot box. It had shown a tendency to elect one of these parties and reject the idea of casting a blank ballot. In short, Turkmen would be at ease today vis-a-vis his Western counterparts as regards the "restoration of democracy." Certain nations, led by France, would be able to express their wishes or indirect criticisms only on the basis that "more respect for human rights should be shown in Turkey...freedom of the press and union freedoms should be broader."

There is also on the ministerial council's agenda an item on the "Turkish Republic of Northern Cyprus [TRNC]" which is of concern to Turkey. This item is the problem on which Turkmen, who had a tough round of explanations about it starting in Britain and going on to the United Nations and the United States, will spend the most time, as the foreign minister of the Greek Cypriot sector of Cyprus is among the COE foreign ministers. The ministers of all the nations which came out against the TRNC declaration, led by Greece, are there also.

Some diplomats in Ankara are saying now: "You cleared the air in Europe by holding the 6 November elections, but got right back into trouble in the COE with this TRNC business." Even if there is a degree of truth in this evaluation, how can Turkey be expected not to support the TRNC?

Turkey considers itself utterly right as regards the TRNC. It is trying to explain this firmly, even in the United States where great interests are at stake. After fulfilling the conditions for the restoration of democracy, why should it not explain its views to the members of the COE now while it feels comfortable about itself?

Let us allow the problems which arose between us and the COE following the 12 September dissolution of the houses of parliament and suspension of democracy during the provisional government to continue for a while longer; it is sufficient that we not blow events out of their true proportions. Let us not exaggerate the stance which the COE adopts now.

8349

CSO: 3554/84

IMPROVEMENT OF EUROPEAN CONVENTIONAL ARMS DEFENSE

Herford EUROPÄISCHE WEHRKUNDE in German Nov 83 pp 517-527

[In accordance with a lecture by General Franz-Joseph Schulze, retired, to the Clausewitz Society in Hamburg on 19 August 1983]

[Text] "European Security Study"

"Ways to Strengthen the Conventional Deterrence in Europe," that was at the same time also the title of a study simultaneously published in Washington, London, and Bonn in May 1983. But you are rightly expecting something else from me than a detailed review of this "European Security Study." I would like to place the study in the context of the so-called "strategy discussion," put some of its proposals in more concrete terms, take up some critical questions on the study and also not avoid the question of the possible implementation of the proposals for the strengthening of conventional deterrence in Europe.

The initiative for this "European Security Study" came from Prof. Carroll Wilson, Massachusetts Institute for Technology, Cambridge. Professor Wilson had already organized and managed several large international studies, among the best known of which are the "World Coal Study" and the one on "Alternative Energy Strategies."

The steering group included 26 Americans and Europeans with a broad background of experience in the fields of security policy, international relations, military leadership and planning and also armament research, but in the past they held quite varied views on questions of security and alliance policies. All of them were independent of government instructions and industrial interests. The project was sponsored by private foundations.

The entire study with the reports of the working groups, selected working papers, and a summary report of the steering group was published by the McMillan Press in London. Only the steering group report, published in the Nomos Publishing House in Baden-Baden, is available in German translation.

The study posed an increasingly urgent question: How can the North Atlantic Alliance improve its capabilities for deterrence with conventional means, reduce its dependence on a possibly early commitment of nuclear weapons, and maintain the confidence of the peoples of the alliance in the capability for deterrence and defense?

Deterrence of possible aggression and confidence in the capability for defense are a dual task. Both goals must be jointly pursued. That is no new finding. The pair of terms "deterrence"--the effective discouragement of a potential aggressor to resort to arms--and "reassurance"--the maintenance of the self-confidence of our peoples and also rulers--has frequently been stressed more clearly as a goal of the alliance in the past.

Military attack across our borders is only an element of the threat and certainly not an acute danger. Greater cause for concern is the danger that intimidation by superior Soviet military power might paralyze the self-confidence and the will to self-assertion in the Western camp and that the fear of war and Soviet superiority might induce our peoples--or at least relevant groups among our population--to seek their salvation in preventive good behavior and growing softness towards the Soviet Union.

We must ask ourselves whether or not our present dependence on a possible early employment of nuclear weapons contributes to undermining both goals of the alliance--the necessity for credible deterrence and maintenance of the self-confidence of our peoples--and whether or not a greater balance between these two goals can be promoted by an improved conventional potential.

The demand for strengthening our conventional deterrence and defense capability has indeed gained a new urgency and for the first time in the history of the alliance also a realistic prospect,

--a new urgency because in the age of strategic nuclear parity the imbalances below the strategic level, that is the massive Warsaw Pact conventional superiority as well as the completely changed threat to Europe resulting from a whole

series of newly developed Soviet intermediate-range nuclear weapons, have gained a different weight;

--a realistic prospect because modern technologies offer more effective and cost effective solutions.

The question involved in the European Security Study did not involve a new strategy.

All members of the steering group were united in the view

--that first of all the alliance has to adhere to the strategy of flexible response that provides for the degree of force required for the defense against an attack, including the possible employment of nuclear weapons.

--that secondly nuclear deterrence forces are indispensable to counteract every possible temptation of the adversary to start a nuclear war, be it that he himself starts a nuclear attack or that he forces others to make the desperate choice between the employment of nuclear means or submission.

--that thirdly the forward defense is a result of collective security and any policy that provides for abandoning territory must remain out of the question.

This consensus appears to many as an especially surprising and striking characteristic of the study, above all to those who find in the list of the steering group members the names of coauthors of the much discussed article by U.S. personalities against first use of nuclear weapons as well as those of a German contrary view. The foundation of this consensus was the stronger effort affirmed by all and emphatically demanded for raising the nuclear threshold, for reducing our dependence on an early first use of nuclear weapons.

We should not disregard such agreement at a time when the consensus in the basic questions of security and defense policies--not in their development--that characterizes the postwar history in all countries of the Western alliance, increasingly threatens to be lost.

The consensus in the European Security Study was not an agreement on the least common denominator; it comprises our basic requirements for the alliance's strategic concept: appropriate flexible response with the readiness to employ all means necessary for the defense against aggression; retention of the nuclear deterrent component, and a clear unambiguous avowal of forward defense.

No New Strategy is Involved

What is not involved is the replacement of nuclear deterrence by conventional deterrence. The close and indivisible link of the conventional armed forces and of the nuclear weapons on the European continent with the U.S. strategic potential has been and remains the backbone of the deterrence. A link by the way that would be guaranteed to a degree as never before in the history of the alliance with the stationing in Europe of the U.S. intermediate-range weapons that cover a great distance if the Geneva negotiations remain unsuccessful by the end of this year. Only this link places the Soviet Union before the risk, uncalculable and thus unacceptable to it, that every military conflict between the two pacts could escalate into a nuclear war in which Soviet territory would not remain a sanctuary. It is this coupling of the potentials which thus far has made war, that is to say any war, between east and west impossible to conduct and unwinnable.

The study was not based on the demand for replacement of nuclear deterrence by a purely conventional deterrence or for establishment of a conventional balance, but on the question which conventional forces are required to deny the Warsaw Pact certain options on whose successful implementation it depends to achieve a quick victory demanded by its strategic doctrine and its operational concepts. In this connection, the following questions must be asked:

- What options have accrued to the Warsaw Pact from the considerable quantitative and qualitative improvements of its armed forces?
- What are the principles on which its strategy, its operational concepts, and its leadership and deployment principles are based? What are their weaknesses and vulnerabilities.
- What options has NATO lost with the indisputable shifts in the correlation of forces, which are open to it to a limited extent, and finally
- What options is NATO able to deny to the Warsaw Pact by strengthening certain conventional capabilities?

I think we must continue to follow this road of a very careful and precise analysis of Soviet strategic and operational concepts, command and deployment principles--going beyond the degree to which the study has been successful--if we want to

achieve a proper, effective improvement of our conventional possibilities, depending not only on technological developments.

No one can be surprised that the demands of the study concerning an effective conventional defense by NATO contain much that corresponds to the ongoing work on many levels in the alliance on the improvement of the conventional defense capability, that, in other words, the study provides little that is new. None of the participants felt that the wheel must be newly invented.

Expansion of the Battlefield Into the Depth of the Enemy Terrain

Analysis of Soviet strategic and operational concepts must virtually necessarily lead to a demand that is now in the center of many considerations for strengthening the conventional components of our deterrence and defense capability: expansion of the battlefield into the depth of the enemy terrain, destruction of the enemy air force on the ground, attrition of the second wave offensive forces.

The greater offensive potential of its tactical air forces has decisively contributed to opening up new options for the Warsaw Pact or to an increase in the prospects of success of already existing options. Surprise is a basic requirement of the Soviet strategic and operational doctrine and it is the increased offensive potential of the air forces that has considerably stepped up the danger of surprise with massive strikes against the NATO air defense installations and air strike bases as well as against the deploying ground forces.

Maintaining a high attack momentum and rapid thrust in depth are further fundamental requirements of Soviet conduct of operations. The success of the attackers decisively depends on the fact that he can move forward, quickly and without interference, follow-on attack echelons to relieve battle-weary units, to bring them forward to the correct sector and at the right time.

But the necessity to expand the battlefield in depth is the result not only of Soviet conduct of operations. It is also a political imperative. Underscoring the defensive character of the alliance and of the Bundeswehr must not reach the point where the other side gains the impression that the victims of aggression are also ready to suffer the devastation and destruction of the war by themselves. That is exactly what would happen if we were to direct all our efforts solely toward the defense against the most forward attack units. The

attacker must be hit where his attack has started, is being supported and nourished. It must be made clear to the attacker that his territory will not be inviolable. To make this clear is not only an important element of deterrence but also of maintaining the political self-confidence of the member countries of the Western alliance, reassurance.

Militarily, the slowing down, interruption, attrition of the attacker's follow-on attack echelons is a necessary prerequisite of successful forward defense just as the destruction of the tactical enemy air forces at the earliest time possible.

The most effective means of destroying the enemy air force, indeed the most effective air defense, is the attack of the enemy air force on the ground. The first attacks on the main bases of the Warsaw Pact air forces must be an immediate reaction to the enemy attack, so that even the returning aircraft of the first attack wave are forced to switch to alternate airfields. Only in this manner is it possible to achieve the highest possible reduction of the sortie rate of the attacker's tactical air forces. But this demand for rapid reaction can be fulfilled only by ballistic missiles. I am going to come back to the problems resulting therefrom and for the time being leave aside the question whether we can really afford, in view of the density of the enemy air defense, to use our most valuable weapon, manned aircraft, against heavily defended fixed targets in the enemy hinterland. The alternate airfields of the Warsaw Pact are less well equipped. The higher vulnerability of the enemy combat aircraft on these alternate airfields justify the attack on them by manned combat aircraft.

The proposals of the "European Security Study" do not limit themselves to the destruction of the enemy tactical air forces and the prevention of the opening up of the attack units of follow-on echelons. For example, the study defined five areas of responsibility on the example of Central Europe for which conventional forces must be capable of successful deterrence and defense:

- Defense against the most forward attack units of the Warsaw Pact;
- Destruction of the enemy air force;
- Slowing down and attrition of the attack echelons following the units;

--Paralyzing the command system of the Warsaw Pact armed forces;

--Guaranteeing a secure, reliable, and effective command and information in the NATO area.

Priorities were set within these areas of responsibility, that is proposals were made of which we believed that their implementation was most likely to cause justified worry to the Warsaw Pact planners whether the goals set down in their strategic and operational concepts are attainable.

An example for the setting of such priorities: For the mission "defense against the forward attack units of the Warsaw Pact," the study limits itself to three proposals:

--First of all, reduction of the risk of surprise, that is limitation of the probability and the effects of a possible surprise. No improvement of the combat effectiveness of our own units can have any effect if these units are surprised in their peacetime garrisons or on the way to the deployment areas.

--Secondly, improvement of the capabilities for target acquisition and data processing.

Herein lies one of the greatest weaknesses of the NATO units. All improvements of the fire power of the artillery--and that applies similarly to the air attack units--remain meaningless unless it is combined with a decisive improvement of the capability for target reconnaissance and above all the rapid transmittal of target data.

--Thirdly, neutralizing the enemy artillery. The Warsaw Pact now possesses an artillery potential with which it can not only hold down our antitank defense but also can decisively weaken all our forces deployed in the delaying zone.

What is involved is not only the better utilization of modern technology. Also changes in our operational concepts, changes in the deployment principles and staff procedures can significantly contribute to our conventional capabilities. The stronger orientation of our reconnaissance toward target reconnaissance is an example. Deliberate differentiation between battlefield surveillance and target reconnaissance has led us astray. Reconnaissance must be directed much more than heretofore toward target reconnaissance. Nothing gives better information on the enemy order of forces and helps more in developing a picture of the overall situation than

reconnaissance of targets, such as artillery concentrations and marshalling areas. Target data must not be lost in the flood of information in information centers, fusion centers, and reconnaissance cells. They must go to the fire control centers without delay.

Concerning the Counterarguments

The question concerning the possible implementation of the proposals in the discussion almost always immediately narrows down to the aspect of cost and the limited defense budgets. In my opinion, consequently the question concerning the military and political plausibility of the proposals is to be asked. If the proposals are not plausible or in spite of their military plausibility politically not acceptable, there is no need to continue pondering about the possibility of their financing.

Here it seems to me that we, ourselves,--as so often in the past--are well on the way to erect hurdles against an effective strengthening of the conventional deterrence components by spurious arguments.

It starts with the assertion that the expansion of the battlefield into the depth of the enemy terrain means transition from forward defense (Vorneverteidigung) to aggressive forward defense (Vorwaertsverteidigung), as if the battle against the follow-on units or the destruction of the enemy air bases had not always been part of our defense planning.

The frequently heard reference to the "science fiction" character of these proposals is also apt to jeopardize the possibilities for implementing the proposals from the start and to postpone necessary decisions. Of course, we must differentiate between what is available now of modern technology to strengthen our conventional combat effectiveness and what is still undergoing testing or what is even in the research and development phase.

In the same connection the curious objection must be assessed that can be heard not only in military circles but also in circles of the German industry that underlying the talk about "striking deep," "extending the battlefield," that is to say expansion of the battlefield in depth, there are in reality only substantial interests of U.S. industry which in this manner tries to sell its superior technology to the Europeans.

Of course, technological developments influence the military operation, even the strategy--that has always been that way in

history--and the military planner who fails to see the effects of modern technology on the operational possibilities is out of place. The inability of all European general staffs prior to World War I to correctly assess the effects of the rapid fire weapons on the conduct of the battle and the operation is a depressing example.

Secondly, we should not let such arguments blur our view for the fact that the expansion of the battlefield into the depth lies in our very own best interest. It is our country that would be affected first and foremost by a Warsaw Pact attack. We cannot possibly desire that in case of aggression all combat actions remain confined to our country.

Lastly, I must say that I am surprised at the timidity inherent in the idea of the U.S. industrial interests controlling military planning. German industry truly has no reason for such timidity. It is leading in many fields, not only in the development of submunitions that could considerably raise the effectiveness of available weapons systems.

Of a completely different nature is the question whether the improvement of the conventional combat effectiveness really entails greater deterrence against a potential aggressor whose armed forces are equipped and trained under nuclear conditions and whose operational principles require the possibility of the rapid transition to nuclear battle at any time. Present Soviet military doctrine no longer starts from the assumption that every war between East and West would necessarily expand into a nuclear clash. More recent Soviet literature advocates the opinion that through successful application of the Soviets' own operational principles the war can be limited to the conventional level. Soviet strategy is so arranged that results are planned ahead of time and the path to the results is kept under strict control. The Soviets know, as we do, that any use of a nuclear weapon fundamentally changes the character of the war. In the Soviet strategy for the subjugation of Central Europe, the main effort lies in the conduct of a short and rapid conventional campaign with a maximum of surprise from the start.

This answers, at least in part, a further apparently unavoidable argument in the present climate of the security policy discussions in Germany, namely the argument whether the improved NATO conventional weapons would not virtually have to provoke a preemptive Soviet nuclear strike, especially if the new conventional NATO weapons had the same destructive power as nuclear weapons. First of all, the proposed new conventional weapons systems do not have the same destructive power as

nuclear weapons. They would be able to neutralize just as effectively certain targets for whose engagement NATO now largely depends on nuclear weapons. That is a difference.

Then, the start of a war by a preemptive nuclear strike, that means starting another war whose course can be kept under control with very much greater difficulty, especially if the number of weapons that would have to be neutralized would be about 6000 conventional ballistic missiles, as proposed, for example, in the "European Security Study" for destroying the enemy air force on the ground and the engagement of the second echelon attack forces.

And finally, the argument that improved NATO conventional weapons could provoke a Soviet nuclear attack in its final logic means that we would have to do without any strengthening of our conventional deterrence.

The use of conventional ballistic missiles raises the following question for many: "How is the Soviet Union to recognize whether conventional or nuclear weapons carriers are involved?"

Apart from the fact that I would like to hear the question raised just once how we are to recognize whether the SS-20, SS-21, SS-22, and SS-23 aimed and launched at us carry conventional, chemical, or nuclear warheads; this problem by its nature is not a problem that would arise for the first time with the employment of such missiles as part of the improvement of our conventional capabilities. The same question arises for the Soviet Union--as it does for us--even today as regards all bivalent weapons carriers. No qualitative change takes place because of the employment of conventional ballistic missiles, such as, for example, a conventional version of the Pershing II. Also a Tornado, even an F-4 that has found its way through densely defended terrain by low-altitude flight to a target in the enemy hinterland and now pulls up for bomb release, raises the same problem for the Soviet Union.

The capability to differentiate between nuclear and conventional weapons carriers is a serious problem for the verification of arms control agreements. That is the context into which it belongs, not in the context of the strengthening of our conventional capabilities.

Many experts are convinced that there are ways to make conventional weapons systems distinguishable from nuclear ones. This starts with declarations of intention, technical explanations that make possible classification into certain categories, firing tests that confirm the claimed performance

data--paths that were followed at least tentatively in the SALT I and SALT II negotiations. But this requires above all the installation of physical differentiating characteristics that could be verified by the so-called "national-technical means" but also by observation on the ground that could be granted to inspection teams or even the public on "days of the open door."

With all these arguments we should not forget the basic fact that it is the Soviet Union that would start the war. We are never going to go to war unless we are attacked. NATO has no concept for a preemptive first strike. We are the ones who must worry how we can differentiate between nuclear and conventional warheads that are launched by Soviet missiles and aircraft against targets. We are well on the way of deterring ourselves from strengthening our deterrence and defense capability by considerations of how the Soviets can make such differentiations.

On the Question Concerning the Necessary Financial and Personnel Resources

In the "European Security Study" we attempted to calculate the costs for the "ways to strengthen conventional deterrence in Europe" that we proposed for the eighties and arrived at a figure similar to that of the Allied Supreme Commander, Europe, General Bernhard Rogers, in his studies: one percent real growth of our defense budgets in addition to the 3 percent real growth on which NATO had agreed at the 1979 summit meeting. General Rogers likes to add what one percent real growth really means is less than DM 50 per capita per year. Four observations are to be added to that:

First of all, what is involved is not only what can be done now at a time of tight budgetary funds, but to start with to make sure above all that now no false course is set for the future. At the 53rd Working Conference of the Society for Military Technology, former State Secretary Dr. Leister pointed out last year that the planning of the "remolding" of the Bundeswehr in the early seventies was closely rooted in the "follow-on thinking" but that in future military requirements all operational and technical possibilities for solution must be considered and that obsolete structures and obsolete operational concepts must not prejudice decisions in the direction of the follow-on thinking. Defense Minister Dr. Woerner at this year's annual meeting of the society stated that the Bundeswehr in the past had concentrated too much on big weapons systems and in doing so had neglected the so-called "peripheral" systems, which include undoubtedly command and information systems, but also modern submunitions for

available weapons systems. Especially here in the field of the peripheral systems there are great possibilities for better utilization of already available combat strength.

Secondly, the strengthening of our conventional deterrence anyway can only be implemented gradually, not only for reasons of limited budgetary funds, established armed forces and armament plans, available equipment and weapons, but also for reasons of differences in the national interest situation. For the United States, the solutions will possibly look quite different than they do for the European allies simply because of its obligations also outside the NATO area.

Thirdly, much can be implemented without sizable expenditures. To reduce the possibilities and effects of surprise on which the attacker relies to such a high degree, organizational measures would already be of considerable help, for example the operational subordination of the reconnaissance means of assigned armed forces to the NATO commander during peacetime for better coordination of reconnaissance.

On Target Selection

NATO must regain the option effectively to prevent the introduction of the second attack echelons. Of course we should not lose sight of what can be contributed by highly developed technology, such as target-seeking, armor-piercing submunitions launched with ballistic missiles of an improved Lance or Patriot type on moving tank columns deep in the enemy hinterland.

It could be considerably more cost effective to transform moving targets into stationary targets. To do that we need not build any antitank ditches as the Israelis did on the Golan Heights and as some now recommend to us that we imitate. Nature has provided us with the biggest antitank ditches in the shape of river courses such as the Elbe, Saale, Moldau, Oder and Neisse. We know the possibilities for crossing these river courses, the fords and the prepared bridge sites. They must be watched and blocked at the right time with area denying weapons. At the right time, that is after they started crossing after the first reconnaissance platoons have crossed and the follow-on combat units are marching toward the crossing point, pile up there, are crowded and form massive targets.

Most of these crossing points are beyond the range of our artillery, even that of the multiple rocket launchers with extended range. Ballistic missiles, such as the Lance with conventional ammunition, are suitable for the initial attack on

the crossing points. Massed targets, such as the units crowded behind the blocked crossing points justify the employment of manned combat aircraft, especially if they are equipped with stand-off weapons.

Above all it would be many times easier and cheaper to solve the target reconnaissance and data transmission problem than be reconnoitering moving targets deep in the enemy hinterland. It would not require either the high resolution power of the reconnaissance sensors or the high information updating frequency and thus also not the high scanning and transmission rate of the data transmission equipment as is the case for reconnaissance of moving targets. The costs could be significantly reduced through a concentration of target reconnaissance at the above mentioned river crossings.

However, in the search for cost-effective solutions we should not fall victim to other mistakes. The "cheap solutions" frequently so easily recommended, --and there have always been enough such proposals in our discussions in the working groups of the "European Security Study," for example, the demands for light infantry units with antitank weapons--frequently are by no means the most cost-effective solutions if not only the investment costs but also operating costs, personnel, training, and maintenance costs, etc. and especially the assessment of the effectiveness are included.

Fourthly, to implement the program a great deal closer and sustained industrial cooperation among the NATO states is indispensable for political, economic, and technical reasons. Defense Secretary Weinberger, in submitting the U.S. initiative "Emerging Technologies," pointed out the necessity of close cooperation of the alliance partners and asserted U.S. readiness for such cooperation. Reduction of the protectionist obstacles in the United States is a prerequisite for that. Federal Defense Minister Dr. Woerner repeatedly called the demanded armament cooperation a prerequisite for any program to strengthen our conventional capabilities.

Conventional Deterrence Must Become Credible

But in final analysis the question of the value that we attribute to strengthening conventional deterrence is decisive. Strengthening our conventional forces would enable the alliance to maintain greater stability in a crisis that has arisen through an obvious danger of aggression, that is to so react that neither the determination of the governments and the peoples will be undermined nor the use of force by others will be provoked. Our present dependence on a possible early

employment of nuclear weapons threatens to undermine the two main goals of the alliance--the necessity for credible deterrence of our adversaries and the maintenance of the self-confidence of our peoples. We must free ourselves of the necessity to have to employ nuclear weapons after a few days because of inadequate conventional forces. That should be a question of high political priority in our countries. Strengthening our conventional options would above all consolidate the confidence of our peoples in the capability for defense, this obligatory prerequisite for political steadfastness against intimidation attempts.

12356

CSO: 3620/105

LACK OF HEADROOM FOR OFFICERS LOWERS MORALE IN BUNDESWEHR

Munich SUEDEDEUTSCHE ZEITUNG in German 15, 16 Nov 83 p 4

[Article by Kurt Kister: "Frustration Is Rife in the Bundeswehr--No One Can Think of a Financially Feasible Solution to the Promotion and Assignment Holdup"]

[Text] In these days when security policy discussions deal almost exclusively with nuclear strategy, internal Bundeswehr problems are hardly noticed by the public. This is especially true for the so-called "promotion and assignment holdup" which is responsible for unrest, disappointment and even bitterness in several parts of the officer corps. Many a first lieutenant or captain had expected a quick remedy, especially from a government whose defense minister had declared at every opportunity that for him "the human being is the most important thing." However, on closer examination of this stagnation and its cause, one quickly gains the insight (which is most discouraging for those concerned) that a radical solution to these problems is not only impossible in short term, but that the holdup will get even worse, given the present tight financial situation.

The problem lies in the unbalanced age group composition of the officer corps. In the early days of the West German Army there were so few officer candidates born between 1925 and 1934 that the planned annual quota of 650 career officers could not be met; there is a shortage of some 3,000 officers in that age group. During the 1960's, the Hardthoehe attempted to equalize that shortage by using large numbers of reserve officers of the 1935-1944 age group to counterbalance the career officer corps. In those days, 4,700 full-term soldiers were put on active duty over and above the number provided by the armed forces planning document.

Today these officers are in their forties, i.e., at an age in which a career officer would "normally" have been assigned to a position which provides for the grades of major or lieutenant colonel. However, personnel plans, which are closely tied to available funding, do not provide for nearly as many senior officers as would appear indicated by the recruiting policies of the 1960's. Therefore, there are for those "surplus" officers neither enough assignments (assignment shortage) nor grade slots appropriate to such assignments (promotion freeze).

This obviously has a severe impact upon career opportunities for the younger generation of officers as well: most captains, majors and lieutenant colonels are anxious to obtain one of the few available staff officer assignments. Those who are successful then block the promotion possibilities of their contemporaries for years to come, since the positions higher up in the hierarchical pyramid become fewer and fewer. Those who do not make it remain for exactly the same length of time in their assignments as battalion or company commanders and thus keep the younger officers born in 1944 or later from moving up into those positions which are the sine qua non of a military career.

Reducing these facts to statistics, we find that in 1988, when the backup will reach its zenith, more than half the battalion and company commanders will be much too old for their positions. Even today 25 percent of company commanders are between 33 and 40 years old; they are in jobs which, considering the age of the soldiers under their command (mostly draftees in their early twenties), are designed for the physical stamina and the type of duty expected of a man in his late twenties. Anyone telling those captains that performance physiological studies have shown that the ideal, and at the same time maximum age, of a company commander falls around 32, will hear increasingly frequent, bitter denunciations not only of personnel policies, but of the Bundeswehr as a whole. Frustration and poor motivation are spreading; the expectation that by 1988 not "only" 40 percent of the captains will be caught in the promotion and assignment freeze, but rather 100 percent, in other words all of them, does not contribute to raising the oft-cited morale of the troops.

As a first attempt at ameliorating the impact of the freeze, 250 new officer manpower slots were created in 1983; next year there are to be another 150. Even this drop in the bucket, coming as it did at a time when other government positions are to be cut by 1 percent per year, is politically difficult to implement. Any larger increases in personnel slots which would in fact and in the perception of those concerned have some appreciable impact, would be doomed to failure in the tug-of-war between the Woerner and Stoltenberg ministries. Even the only remaining solution which might promise to do some good under the current Bundeswehr configuration, would be so expensive that any attempt at implementing it would cause considerable friction in the cabinet: the Hardthoehe is playing with the idea of offering voluntary early retirement to officers in the surplus age groups. There is talk to the effect that an "early out" for about 150 career officers per year would ease the promotion freeze for at least the intermediate term. Considering, on the other hand, that these early retirees would, starting at age 45, draw a pension of at least 70 percent of their last salaries, this would mean also that every position "gained" in this manner would cost the taxpayers exactly 70 percent more.

It is true that the freeze would abate by itself even without such remedies in the early 1990's, with the retirement of the age groups which now cause a surplus. But this will once again confront the Bundeswehr with a new problem. At the beginning of the last decade of this century, it would possibly have too few officers to replace the large number of retiring "surplus" officers. These trends, along with the rapidly increasing costs of armament and the rapidly decreasing number of available draftees could create much more urgency for restructuring the army than does the impassioned debate about strategy.

TENTATIVE EFFORTS TO REMEDY 'INADEQUATE' CIVIL DEFENSE

Zurich NEUE ZUERCHER ZEITUNG in German 24 Nov 83 p 4

[Text] Paris, 22 Nov--In his latest television appearance, President Mitterrand called inadequate French measures for a passive defense to protect the civilian population in the event of a nuclear attack. He did hold out prospects of limited relief. The leftwing LIBERATION has now published excerpts of a secret directive in this direction from Prime Minister Mauroy.

In France, the theory has so far prevailed that a nuclear power is protected only through the possession of an adequate weapons capacity and that civil defense in the form of the construction of shelters that are secure against nuclear attack, in contrast, would affect the credibility of deterrence. Therefore, practically only military facilities, such as the "Jupiter" command post under the Elysee or the headquarters of the Force de Frappe, have been made secure against nuclear hits. There were doubts about that even under Pompidou. An investigation that was ordered at the time has since disappeared among other classified material, a state secret too hot to handle. France's civilian population remained without shelters. It was up to the nuclear shield alone to provide "protection." The questioning glance at other countries, such as Switzerland and Sweden, often only caused a certain amusement among theoreticians. At most, there was the pedantic explanation that such measures need be taken only by nonnuclear states.

In the Shadow of the European Missile Crisis

In the shadow of the European missile crisis and perhaps of the horror effects of the American film "The Day After," however, there is now, even in previously largely unconcerned France, an increase in questions about the benefit of "atomic hardening." "The general's shield is full of holes," concludes July, chief editor of LIBERATION, in a commentary on the publication of the secret document dated 15 October 1982 and containing instructions by the prime minister for a gradual turning away from the previous trust in the adequate deterrent effect of the Force de Frappe. Even the date of the directive indicates a rethinking process that had been going on for some time. Meanwhile, that is still occurring very gradually. And it would as yet be too early to speak of a complete turn-around. Even July thinks that behind the apparently officially

encouraged indiscretion at this point is also an attempt by the authorities to find an appropriate way to wake up the French masses, who are simply astonished at the German missile panic.

In a report on this year's defense budget, some of the points named in Mauroy's directive were mentioned as a government program, in addition to an enumeration of the efforts of other states, at the head of which was again Switzerland. With the greater accuracy of the missiles and the resulting turning away from the "anticity" to an "antiforce" strategy by the other nuclear powers, France as well is now giving increasing consideration to a longer term and limited program to build shelters for the civilian population as a strengthening of deterrence and not, as before, as a weakening of it. What is sought here as well, in view of the only limited availability of financial resources for this purpose, is not maximum but "adequate" protection. In the prime minister's instructions to the prefects of the defense zones, therefore, it is planned that for cities with more than 50,000 inhabitants, shelters will be constructed that can withstand the explosive blast wave. Indeed, this is planned for all new public buildings with more than 100 occupants. Similarly, for smaller cities having a population of at least 10,000, shelters are to be mandatory that at least protect against radiation contamination. The corresponding standards must be established by the interior and housing construction ministers. In the meantime, it has already been decreed that the construction price for a blast-wave or a fallout shelter may not exceed 5 percent or 3 percent, respectively, of the original building construction cost without shelter. Beginning 1 January 1984, this practice is to be mandatory for new construction.

Taking Stock of Protection Opportunities

Above all, the government now intends to carry out a comprehensive inventory of the existing protection opportunities in all departments. Despite several attempts, even before Mitterrand's taking office, hardly anything has happened in this regard. Following an investigation of that sort in Ille-et-Vilaine Department, the same thing is to be done in Haute-Loire Department. According to instructions by the prime minister, this stocktaking must now be accelerated. Evacuation plans are to be drawn up and alarm systems modernized. That is, above all it is necessary to protect against the electromagnetic impulse of nuclear blasts. It is not claimed that France thus can or wants to protect itself fully against a "day after." Initially, it is still just words with which, however, a preparedness for a certain amount of prevention is to be signaled. Extreme rightwing party leader Le Pen is now carrying on a special election campaign in Brittany with arguments against the prevailing lethargy in this regard. The Soviet Embassy on Lannes Blvd in Paris obviously now has one of the best antiblast bunkers in France.

9746

CSO: 3620/81

SWISS COMMENT ON FRENCH MILITARY MANPOWER CHANGES

Zurich NEUE ZUERCHER ZEITUNG in German 29 Nov 83 pp 1-2

[Article by Christoph Muehleemann: "Smaller Draft in France"]

[Text] Paris, 27 November 1983--France is inducting fewer recruits into its armed forces, as these forces are to be reduced by 35,000 during the next 5 years. Next year, of about 430,000 who are liable to military service, only about 260,000 are to be inducted. That is 40,000 fewer than this year.

New regulations and directives have tightened up on the conscription criteria so as to fall back to a number of recruits that is line with the decreased demand of the armed forces. The heretofore quite small annual number of about 1,000 conscientious objectors may well triple thanks to the liberal screening standards that are established in a law dated 8 July 1983. In addition, in the future there will be many cases of young managers being exempted from military service based on a May directive by Defense Minister Hernu. Initially, 4,000 of those liable to military service are to profit from that directive. Above all, however, the standards for physical and psychological fitness will be raised so that another 25,000 to 30,000 will be freed from military service. Previously, about 75,000 young men, or 18 percent of the "useful" mass of those liable to military service, were not inducted. It was already 21 percent this year. The number will now increase further, while the number excepted for social or occupational reasons may remain at scarcely over 25,000 men, or 6 percent.

Undermining the Principle of Universal Military Service

It thereby happens that there is certain undermining of universal military service, which above all was energetically supported in principle by the French communists in their feeling of horror about any sort of professional army. The trend is further strengthened in that since May there has been an increased opportunity for a voluntary commitment at better pay for a longer period of service (Service appelés long), which can be 4 to 12 months longer than the 12 months otherwise required. For 1984, 8,000 positions are planned for this purpose. Some 6,000 men have already reported. In view of the unemployment, it will not be difficult to meet the quota.

The gradual reduction of the armed forces by 35,000 men begins next year. Hardest hit, with 6,470 men, will be the army, whose authorized strength is to decline by a total of 22,000 in 5 years. Next come the air force, with a reduction of 1,074, and the navy, which will lose 662 men. In the first year, there will be a reduction of a total of 8,898 men, or about one-fourth of the total planned reduction. In the case of the army, by the way, not a single general or colonel will be "done away with." The first 230 "officer sacrifices" as part of the reduction must be made by lieutenant colonels and lower ranks. Thus according to plan, in 1984, in comparison with the current budgeted level of 577,884 men, the armed forces are to be reduced by 1.23 percent.

Agitators

Two of the three recruits with the French troops in Germany accused of "inciting to insubordination" through pacifist propaganda, who were in the military prison at Landau since mid-October, have since been released. Involved are two sappers of the 32nd Genie Regiment stationed in Kehl. A third soldier from the 13th Genie Regiment in Trier, on the other hand, is still under arrest. All three are members of the Trotskyist "Communist Revolutionary League" and had composed a treatise criticizing garrison conditions, demanding the withdrawal of all foreign troops from Germany and containing the refusal "to serve NATO war plans as neutron fodder." The soldier who is still under arrest had previously agitated for a halving of the period of military service to 6 months, something that at one time was also supported by the socialists. In addition, several times he was guilty of insubordination. This affair is the first case of political insubordination in the armed forces since May 1981 that was not handled using traditional disciplinary means. A committee of intellectuals headed by Simone de Beauvoir had taken up the matter in a small advertising campaign amidst what was otherwise general indolence.

9746

CSO: 3620/97

SOVIET AIR, SEA SURVEILLANCE OF BREST NAVAL BASE CLAIMED

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 23 Nov 83 p 3

[Article by Thankmar von Muenchhausen: "Soviet Planes and Ships Carefully Eye Brest With Increasing Frequency"]

[Text] The exhibit of Estonian folk art which was to be held this month in the port city of Brest was canceled. The idea that several dozens of observers from the Soviet Union would be able to inspect the second largest French military port at their leisure for several days gave Brest Mayor Jacques Berthelot the creeps. Berthelot says: "I've had enough now. I cannot tolerate such activities in my community." Last May the mayor had renounced the "friendship agreement" between Brest and the port of Reval on the Baltic Sea. This agreement, something on the order of a partnership between cities, had been in existence for 1 year. There had been contacts prior to that following the victory by the leftists in the 1977 municipal elections. The driving force was Marcel Simon, communist president of the "Society for Franco-Soviet Friendship" in Finistere department. Following the municipal elections in March 1983, Berthelot, the new mayor, member of the Gaullist "collective movement" opposed the contacts with the East.

The incident with the Tupolov on 17 May tipped the scale. The Soviet commercial airliner was supposed to pick up a group of 38 French visitors from Guipavas Airport east of Brest and take them to the Soviet Union. But instead of landing as prescribed the plane flew over the Landivisiu Air Force Base, where Iraqi pilots were being trained for the Super Etendard, and also Ile Longue, which is located in front of Brest and is the strategic nuclear submarine base. Only after taking this roundabout route did the Tupolov land at Guipavas. A search of the suspected aircraft revealed nothing.

The nuclear submarines, which as carriers of the M-4 nuclear intercontinental missiles are the most modern component of the "Force de Frappe," also interest Soviet "trawlers" which sometimes linger for weeks at a time in front of the harbor mouth. The technical equipment on these ships makes it possible to listen in on radio traffic, but mainly to record the noises of the nuclear submarine engines which are as unmistakable as a fingerprint. Even missile launching exercises at sea are carefully followed by Soviet fishing boats and their supply ships. In the early summer there were even several small drifting mines floating in the harbor mouth when a French submarine was leaving

the base. In this instance, routine accompaniment by a mine sweeper was not a superfluous precautionary measure. A Soviet merchant ship arrives. It loses something or other on the way. The mayor notes that "that can happen on the sea-lanes of Brest."

There is spying not only at sea and in the air, but also on land. The heavy trucks from the Eastern bloc love to stop where they have a good view of the harbor. Nothing less than in the vicinity of the navy arsenal of Toulon or Air Force headquarters in Paris. Primarily long-distance trucks from Bulgaria are encountered on French highways. They were granted 4,500 entries and exits in 1980 when imports from Bulgaria totaled 90,000 tons. The office of communist Transport Minister Fiterman refuses to reveal how many border crossings are currently the rule. Imports from Bulgaria in any case had increased in 1982 to 350,000 tons.

As far as the president of the friendship group, Simon, is concerned the mayor's behavior is hysteria; "spyitis." Jacques Berthelot sees it differently. He certainly has no objection to friendship between Frenchmen and Russians, between Bretons and Estonians. But he refuses to watch passively any longer as Brest turns into a "preferred field of surveillance by the Eastern bloc, especially the Soviet Union."

12124

CSO: 3620/78

BOFORS ARMS EXPORT ACTIVITIES LEADING TO IMAGE PROBLEM

Zurich NEUE ZUERCHER ZEITUNG in German 3 Dec 83 p 19

[Article by Doe: "Bofors--Cannons, Missiles and Refined Chemicals";
slantlines indicate material italicized in original]

[Text] In Switzerland, the company name Bofors stands for Buhrle's nearest competitor in the production of modern artillery munitions. In Sweden, too, one associates "Bofors" with "weapons," which, in /the country of Olof Palme/, does not lead to the most desirable image. This is true even though the firm provides /no fewer than 11,000 jobs/ and is also dependent on the export of war material to maintain these jobs. Such realities are acknowledged behind the scenes, above all by the unions. In public opinion, the noncommittal pipings of the antinuclear and peace movement indeed hold sway, a movement that also has representatives in the parliament. Palme, the head of the Social Democratic Party, in last year's election campaign again and again cited the /example of Japan/, claiming that that country had demonstrated that a toy industry is the economically equivalent substitute for the arms industry. Sweden's new minister of industry has taken no initiative regarding this since coming to office...

Stamp of Alfred Nobel

What does an old, traditional company do in such a /sometimes hostile environment/, a company whose horizon appears none too rosy in the face of sluggish orders and declining profit margins with rapidly rising development costs? At the headquarters in Karlskoga, a forest area in southwest Sweden, company officials explain their strategy, which seems in summary to reflect the spiritual heritage of Alfred Nobel. Shortly before the turn of the century, Nobel had acquired Bofors, a competitor of Krupp. He spent his last years researching and writing in the laboratory and on the estate in Karlskoga. He brought the science of chemistry here and linked it with cannon manufacture. Even today, the opportunity for further growth lies in the imaginative rendering and forward-looking application of Nobel's founding ideas.

The company head, Claes-Ulrik Winberg, regards the 1970's as a period of "clearing out" the much too broadly scattered product assortment, which extended all the way to headache remedies. Of around 100 product lines--primarily in the chemistry and metals sector--half were deleted. This

/restructuring/ has been /completed/, and the emphasis is now on stabilization and consolidation of the present situation. Here, the cultivation of a more comprehensive image plays an important role. For a long time, Bofors has been supplying complete military /and civilian/ systems, a fact that is not sufficiently known in marketing, since controls, sensors and other electronic components were only accessories and taken for granted.

So, until a short time ago, it was almost a rule that a state development contract together with study credit for a new radar or guidance system was granted to an "electronics giant" like Ericsson or Saab instead. This was prejudicial to the miscellaneous production of all concerned. But even this "custom" is not absolute. In the project--gigantic for a small country--for the development of the /all-purpose aircraft/ JAS--now called "Greif"--a subsidiary of Bofors last year received the contract for the /development and production of the communications equipment/. Such government contracts are important for client prestige as well. In spite of the current downturn, there is no shortage of this in the classic area of weapons hardware, Bofors being /one of the largest suppliers of the Swedish armed forces/.

One of the company's "strategic thinkers" believes that the Bofors lines that are most amenable to expansion with marketing initiative are the /military electronics department/--integrated into the defense equipment department--the more independent /civil electronics department/, and their subsidiaries. Military electronics and civil electronics have an annual turnover of around 600 and 250 million kronor, respectively, and could "easily" be doubled by developing new markets. For the purpose of adjusting the product assortment, this can also be accomplished by /acquiring small, well-established specialty firms/. One barrier to more aggressive marketing is undoubtedly the extensive confidentiality requirement that is imposed by the security shield of military and "mixed" electronics.

Future-Oriented Bofors-Nobel

To be sure, /weapons and munitions/ comprise about /50 percent of the sales and profits/. Making constant gains, however, are the other departments: the recently combined manufacture of chemicals, plastics and automotive parts; engineering and biomechanics for environmental protection; and remote-control and weighing systems. Particularly, the performance and pace of orders in the "Bofors-Nobel" department represented the concern's /second mainstay/ in 1982 and this year so far. Their facilities are maintained for security purposes in 650 structures, some underground. For handling acids and explosives, /extraordinary safety measures/ are required, measures which themselves become commercially valuable as /high-technology processes/. The marketing of such know-how is playing an increasing role in international competition. The distributor Bofors Nobel Chematur Inc was established in /the United States/ in early 1983 for marketing chemical equipment developed in Karlskoga.

A team of 35 engineers and chemists in the Nobel-Division is responsible for /problem solving and product development/. Due to the /export restrictions on war material/, the production of explosives and powder is no longer

regarded as specially deserving of expansion. /Refined chemicals/, however, comprised 42 percent or 319 million kronor of the divisional sales--the profit percentage was not released--and, except for the dye sector, show good prospects: /active substances/ are being delivered worldwide for /additional, pharmaceutical processing/, of which 50 percent goes to the United States, 12 percent to West Germany and 5 percent to Switzerland. This line is surrounded with the /same confidentiality/ as the /weapons trade/ is, because a product is developed and marketed less and less on private initiative, but sought more and more on the basis of complete mutual confidence in cooperation with a single customer in total secrecy in the "jungle of organic chemistry."

Earnings Down

Though falling slightly, /defense equipment/ is still in the /center/ of interest. This is born out by the research and development expenses of this department. These climbed in the 5 years up to the end of 1982 from 95 million to 228 million kronor per year or 10 percent of the invoice value. The self-financed R and D costs climbed from 60 million to 85 million kronor. Bofors is working in particular on the further expansion of the in-house /total system competence/ and the /miniaturization of electronic parts/. As far as products, the pride of all Bofors people rightly goes to the new /tank-defense missile/ BILL, whose first customer is to be the /Swedish army/. The improvement of tanks in the past several years renders the traditional defense partially obsolete. The successfully realized idea was therefore to have the surface-to-surface missile fly above the line of vision and deliver the charge--detonated by an influence fuse--to the tank from above, where it is less heavily armored. Still one of the most modern weapons is the highly mobile and easily serviced /surface-to-air missile system RBS 70/--now undergoing improvements--the /FH 77 howitzer/ and the /BOFI-40mm antiaircraft system/.

Despite such technological successes, /sales have been stagnating/ since 1980, and /profit is shrinking/. With an actual annual sales turn-over of around 4 billion kronor, the after-tax profit amounted to 251 million in 1980, 191 million and 190 million in the following 2 years and 50 million in the first 8 months of 1983. Management expects a /profit/ of barely 100 million kronor for the entire year. In the years 1978 through 1982, the /average return on investment/ on combined working capital was 10.4 percent, /equaling the rate of inflation/. The corresponding rate for the adjusted equity capital was 9.7 percent. Cited as causes of the deterioration of business were first the lags in arms purchases in the western industrial countries, but also by potential customers in the Third World, and, then, the increasing frequency of barter deals.

Political Handicaps?

/India/, for instance, plans to reequip its obsolete artillery, an operation that will involve billions, and Bofors hopes to participate in it. Since the /export regulations for weapons/ carry no absolute restrictions for India, the government in Stockholm would also be willing to assist with

export credits. Bofors nonetheless complains--typically enough, only in the Swedish version of its annual report--about /sharp competition/ due primarily to such supportive measures as these, an argument that is not fully convincing in view of the elaborate Swedish apparatus in this gray area of fostering trade. The weapons-export law--legislated in early 1982 and slightly stiffened since--provides a method of awarding permits by classification. Under this procedure, the export license is not due until the goods are on the dock and ready for shipment. This is not felt to be any kind of impediment, but is allegedly merely to assure that in coordination with the proper authorities no "politically impossible" contracts are made.

9992

CSO: 3620/96

MEASURES TO IMPROVE INDUSTRIAL PRODUCTION

Nicosia 0 FILELEVTHEROS in Greek 18 Nov 83 p 12

/Text/ During today's meeting of the Ministerial Council under the chairmanship of the Acting President of the Democracy, Mr G. Ladas, it approved among other things the strengthening and quality differentiation of the existing tax motives. The purpose of the modifications that were approved is to help the continuous effort being made to strengthen the transformative sector of the economy to extend its production to new branches for the improvement and modernization of the structure of the Cypriot industrial unit and for the participation of a larger part of the people in business profits, to encourage deposits, to broaden and differentiate the export goods and services and to attract new capital in cases where it will be accompanied by the import of new modern technology or where it will broaden export prospects.

More specifically, the Ministerial Council decided:

- a) To provide a 10 year full tax exemption of the differentiation businesses that will be established in Cyprus during the next 3 years and that will produce products that are not being made presently in Cyprus.
- b) To increase for the next 3 years the depreciation for machinery and equipment in the sector of differentiation from 45% to 55% in the case of public companies and from 30% to 45% in the case of all other businesses.
- c) To provide alien employees of the companies that will be established in the Free Industrial Zone of Larnaca with the same tax situation (in regards to personal income tax) that the alien employees of overseas companies working in Cyprus enjoy.
- d) To introduce a special provision in the law on the basis of which for a period of 10 years from the beginning of the operation of a business that will be established in the Free Industrial Zone of Larnaca the income from shares of its alien stockholders will not be taxed by a rate higher than the one used to tax the company's profits.

e) To differentiate and improve the tax situation of the public company and to provide new increased motives to encourage the creation of public companies and to change private companies to public ones.

f) To extend the motive that is provided for the import of foreign currency in a way that will enable the Minister of Finance to provide for an unrestricted period, instead of only 5 years as now provided by the law, an exemption from income tax on the interest of the foreign capital being imported to Cyprus for the purpose of financing investments.

g) To differentiate the amount of depreciation that is provided for investments in the tourist sector in a way that our tourist product will be enriched with the encouragement of the construction of tourist related projects and the discouragement of the construction of hotel units in satiated tourist areas.

h) To introduce a provision in the law on the basis of which if a certain exporter during the period of a certain tax year, during which he has been provided with a discount from his taxable income from 3% to 6% for the foreign currency that comes from his exports, suffers losses, the part of the loss that is the result of this discount will not be transferred to subsequent years.

i) To provide the overseas companies with an exemption from government stamps for transactions relative to their usual activities.

With the introduction of the above modifications, the introduction of the tax motive package promised by the President of the Democracy, Mr Sp. Kyprianou, in his platform is complete.

9346

CSO: 3521/102

TRADE MISSION TO ARAB COUNTRIES CONCLUDES CONTRACTS

Nicosia O FILELEVETHEROS in Greek 18 Nov 83 p 12

/Text/ The Cypriot Trade Mission formed by the Ministry of Commerce and Industry in cooperation with the Cypriot Commercial and Industrial Chamber of Commerce and sent to Arab Gulf countries has returned. The Mission visited Bahrain, Oman, and the United Arab Emirates from 1-15 November.

The Mission led by Mr Andreas Mavrogenis, higher official of the Ministry of Commerce and Industry, was comprised of Mr Panagiotis Mikhailidis, Secretary of the Commercial and Industrial Chamber of Commerce of Nicosia and representatives of more than 30 industries.

The official members of the Mission had contacts with the Chambers of Commerce of the countries they visited as well as with other officials, during which they exchanged views and discussed ways for the further development of imports of Cypriot products to Arab Gulf countries.

During the period of these reports, the Cypriot business men had significant contacts with buyers and concluded contracts for exports amounting to about 2 million pounds.

The Cypriot Trade Mission determined that despite the economic recession that dominates the area, there was a lively interest.

9346
CSO: 3521/102

FRANCE-ALGERIA TRADE RELATIONSHIP: A DELICATE BALANCE

Paris L'USINE NOUVELLE in French 6 Oct 83 pp 90, 91

[Article by Alain Barbanel: "France-Algeria: A Trade Balance in Equilibrium...by Sheer Hard Work"]

[Text] Between 1981 and 1986, Algeria will spend 70 billion francs in capital goods. How much of this will go to French companies? That question will be asked again during Pierre Mauroy's visit to Algeria from 9 to 11 October.

As the "pilot" country in a new type of north-south cooperation conceived by Francois Mitterrand, Algeria has derived substantial benefits since the gas agreement signed on 3 February 1982. France has already paid 3 billion francs above the normal market price as promised under the terms of that contract. Recently, the extra cost which was due to be paid by the Ministry of External Relations was purely and simply charged to the account of the French Gas Company (in 1984 this will amount to 1.4 billion francs) which will have no other alternative than to pass this cost on to the consumer (however, a 1-point increase in gas rates will only generate 380 million francs).

Nevertheless the fact remains that the gas agreement has completely turned around our trade relations with Algeria. France's balance of trade which was in surplus (+3.8 billion francs) in 1980, registered a deficit of 12.8 billion francs in 1982 and a deficit of 8 billion francs in the first 6 months of 1983. It will take some time to reestablish an equilibrium.

"The picture is not that black," replies an expert from the DREE [expansion unknown], "that was the price one had to pay to get France firmly established in the Algerian market which is very productive." Perhaps so, but one would have to figure out exactly what the companies have gained.

A draft agreement on economic cooperation was signed on 21 June 1982 which typifies the kind of agreement that France wishes to establish with developing countries: aid for the existing potential and new investments; aid and gradual transfer of technology and know-how. That agreement formalizes economic relations between the two countries and in a way allows Algeria to have the support of the French Government to bring the contracts to a successful culmination.

Draft agreements were scheduled to be signed in several sectors such as housing, public works and building materials, water resources, railroad, aeronautical industry, equipment goods, computers, telecommunications, new sources of energy, nuclear engineering, agricultural foodstuffs and fishing. Three of these agreements have been signed so far: on urban development, housing and building materials; on transport; on agriculture, agroindustry and forestry. A total of 188 contracts were signed in 1982 worth a total of 15.2 billion francs with 11 billion francs going to the French partners. During the first 6 months of 1983, French companies have secured orders worth 19.9 billion francs of which 12.5 billion are transferable.

The housing sectors get the lion's share. The vast reconstruction program at El Asnam involves 60,000 housing units. In July of this year the auxiliary construction group, Bouygues, Dumez and Fougerolle signed six contracts (worth 9.5 billion francs) to build 21,000 housing units. Pending to be signed are 11 contracts (for 12 billion francs) to build nearly 30,000 housing units.

The expansion and improvement of transport infrastructures have also produced interesting contracts. For instance, Francorail will deliver 400 railroad cars to Algeria costing 2.5 billion francs and will enlarge several maintenance yards (600 million francs). French enterprises are also in a good position to build the Algiers subway (an 8 million francs project).

What does the balance sheet show? We purchase from Algeria 9 billion cubic meters of gas a year which cost around 10.4 billion francs. For the whole of 1982, the French share in the contracts was as much as 11 billion francs. It would seem that the accounts are balanced. But in reality the situation is a little different because the contracts signed by the companies extend over a period of several years as do the payments. Besides there are times when the Algerian authorities show little understanding and are very finicky. Even under favorable conditions the companies will have to continue battling with the local administration...and with their competitors. That is the hidden side of this "exemplary" technical cooperation.

Big Contracts Already Signed

1982

Contracts for More Than 100 Billion Francs:

TECHNIP: flat glass factory for SNIC [National Chemical Industries Company].

RVI: 1,856 industrial vehicles for the Ministry of National Defense.

SOFRETU: study of Algiers subway for the SNTF [National Railway Transport Company].

GdF [French Gas Company]: technical assistance to SONATRACH [National Company for the Transport and Marketing of Hydrocarbons].

RVI: 4,706 trucks for SONACOME [National Mechanical Engineering Company].

Creusot-Loire Entreprises: automation of cement plant for SNMC [National Building Materials Co.].

SCREG: roads in the Annaba Region for the Ministry of Public Works.

Vallourec: pipes for SNS [National Steel Company].

Fougerolle: modernization of roads in the Governorate of Guelma.

RVI: 282 industrial vehicles and spare parts for the Ministry of National Defense.

Houot: 790 housing units for the Governorate of Annaba.

Profroid: 27 cold storage plants for ONAB [National Animal Food Office].

TENEC: 800 housing units in Hassi-R'mel for SONATRACH.

SCTP: 925 housing units in Hassi-Messaoud for SONATRACH and VB Construction.

Bouygues: 4 hospitals for the Governorate of Laghouat.

Bouygues: 2 hospitals for the Governorate of Djelfa.

ACB: pasta factory in Djelfa for SN SEMPAC [National Semolina Factories, Mills, Pasta and Couscous Factories Companies].

Michelin: tires for SONATRACH.

Boussac-Saint Freres: blanket factory for SONITEX [National Textile Industry Company].

Dantin: 4 technical education centers for the Governorates of Jijel and Bejaia.

Nicoletti: 6 CEM (schools) for the Governorates of Annaba and Skikda.

Rufa: 5 technical education centers and 2 high schools for the Governorates of Mostaganem and Tlemcen-Mascara.

Bouygues: a hospital for the Governorate of Biskra.

SGE: 3 hospitals for the Governorates of Bejaia, Jijel and Batna.

Contracts for Less Than 100 Million Francs and More Than 50 Million:

Thomson-CSF: moving an air-traffic control center for ENAMA [National Sea and Air Transport Enterprise].

Erge: 400 housing units for SONATRACH.

Erge: 500 housing units for the Governorate of Annaba.

LRC: 500 housing units for the Governorate of Annaba.

Creusot-Loire Entreprises: 3 expansions of animal feed plants for ONAB.

Potain: cranes for the Ministry of Housing.

SGE: 5 vocational training centers for the Governorate of Algiers.

Contracts for Less Than 50 Million Francs and More Than 10 Million:

Peugeot: 7,000 mopeds for SONACOME.

CERIC: a brick factory for the Governorate of Algiers.

CAMIVA: fire engine trucks for the Ministry of Interior.

CFBK: 9 grinding facilities for the Ministry of Interior.

Richier: public works materials for the Ministry of Interior.

CGG: geological research for SONATRACH

Chambon Engineering: carpentry workshops for the Ministry of National Defense.

Sambron: 315 machines to transport concrete for the Ministry of Housing.

Manitou: 120 carts for the Ministry of Housing.

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Contracts for More Than 100 Million Francs:

Francorail: 400 passenger cars and maintenance yards for SNTF.

SGE: a hospital for the Governorate of Oum el Bouaghi.

Caroni: a complete biomedical center for the Governorate of Tizi-Ouzou.

Bouygues: railroad line between Ramdane, Djamel and Jijel for the SNTF.

Francorail: 5 maintenance yards for SNTF.

Quillery: Military University Hospital Center of Kouba for the Ministry of National Defense.

DTP: new port of Jijel for the Ministry of Public Works.

Fillod: Customs School for the Governorate of Blida.

Contracts for Less Than 100 Million Francs and More Than 50 Million:

Pomagalski: Blida-Chrea television transmitter for the Governorate of Blida.

Michelin: tires for ERDB [expansion unknown].

Contacts for Less Than 50 Million Francs and More Than 10 Million:

Gard: disk-plows for ENPMA [expansion unknown].

Vernier: plowshares for ENPMA.

SACM: 6 generating sets for SNEGGAZ [expansion unknown].

Lamberet: 200 refrigerated trailer trucks for SNVI [expansion unknown].

Fauvet-Girel: 73 trailer trucks and 11 tanker trucks for ERDP [National Enterprise for Oil Refining and Distribution].

8796

CSO: 3519/105

ECONOMY MINISTER UPBEAT ON INDUSTRIAL PRODUCTION

Athens ELEVTHEROTYPIA in Greek 12 Nov 83 p 13

/Text/ There has been a favorable development in industrial production during recent months. According to information from the Statistical Service given by Economy Minister Mr Ger. Arsenis, the industrial production index for August 1983 compared to the same month last year increased by 14.1%, while the increase in this index for the 8 month period January to August 1983 averaged 1%.

The minister said that according to this information, the negative figures that came up during the first months of 1983 were reversed and the predictions that the industrial production will show a slight increase will be attained.

The development in the balance of payments also shows improvement for the month of September. Mr Arsenis said that this is due to the drop in import expenses that is faster than the drop in income from exports and undefined income.

The minister emphasized that this fact assures that the prediction for containing the 1983 deficit to about 2 million dollars will be attained. The containment of the deficit is due to the significant increase in the flow of private capital that reached 772 million dollars this year as opposed to 497 million dollars last year.

According to information from the Bank of Greece, the deficit of the trade balance during the 9 month period of 1983 reached 3.91 billion dollars as opposed to 4.39 billion dollars that was the respective deficit in 1982.

The balance of undefined income during the same period showed an increase of 2.54 billion dollars with the result that the deficit of the current trade balance was restricted to 1.37 billion dollars.

The foreign exchange reserves remain steady. At the end of September they were 1,024 million dollars as opposed to 1,060 million dollars in September 1982.

According to information of the Statistical Service:

The general index for the production of mines, industry and electricity/gas shows an increase of 12.4%.

The ore production index dropped 6.5%. Its course was influenced by the respective (downward) development of the indexes for quarry and building materials, lignite, magnesium, bauxite, and chromium - manganese etc., despite the contrasting (upward) development in the indexes for iron, nickel and sulphureous mixtures - barite.

The industrial production index rose by 14.1%. Its course was influenced mostly by the respective (upward) development of the indexes for basic ore products, food, chemical products, tobacco, textiles, ore products, printing - publications, petroleum and coal by-products, non metallic ores and clothing and footwear goods, despite the contrasting (downward) development of the indexes for beverages, means of transportation, wood, cork, various industries such as leather, paper, furniture and machinery, non electric appliances.

The index for the production of electricity and gas shows an increase of 8.3%. More specifically, the index for the production of electricity (quantitative index unmeasurable) also shows an increase of .5%.

The Average.

The development of the course of the average of the above indexes during the 8 month period January to August 1983 in comparison to the respective 8 month period for 1982 is the following:

The general index for ore production, industry and electricity-gas shows an increase of .5%.

The index for the production of ore shows a drop of 9.3%.

The index for industrial production shows an increase of 1%.

The index for the production of electricity-gas shows an increase of .5%.

9340

CSO: 3521/105

DATA ON UNFAVORABLE BALANCE OF PAYMENTS

Athens MESIMVRINI in Greek 12 Nov 83 p 8

/Text/ The course of the balance of payments for the country during the 9 month period from January to September 1983 has shown a drop in exports, a drop in income from undefined sources, a smaller drop in investment capital by business men and a small drop in foreign exchange reserves, according to facts given for publication yesterday by the Bank of Greece. Besides, there was a drop in imports at the same time, as a result of the recession of the economy and the indirect restrictions to the import trade, while the deficit in the trade balance dropped slightly.

More analytically:

During the 9 month period, January to September 1983, imports including fuel dropped by 16.2% to 1,760 million dollars in contrast to a 27.4% decrease to 2,100 million dollars during the same period in 1982. For fuel imports alone, the respective numbers are a 4.6% decrease in contrast to a 4.3% decrease to 5,173 million dollars in contrast to 5,421 million dollars for the same period in 1982.

Exports dropped by 3.6% for the period January to September 1983 in contrast to a 13.4% drop for the same period last year, to 3,014 million dollars in contrast to 3,128 million dollars last year. With fuel included, the drop is 3.4% to 510 million dollars and without fuel the drop is 5% in contrast to 13.2%, and to 2,504 million dollars in contrast to 2,635 million dollars.

For the trade balance the drop for the 9 month period of 1983 is 10.8% in contrast to 11.2% for the same period last year. For undefined sources, the drop is 12.3% in contrast to 5.3% for the same period last year. The travel exchange dropped by 23.8% in contrast to 15.6% for the same period last year, to 940 million in contrast to 1,233 million dollars last year. The immigrant and labor payments decreased by 12.9% in contrast to 3.8% for the same period last year, to 686 million dollars in contrast to 788 million dollars last year.

Receipts from the EEC increased and for the 9 month period January to September 1983 were 555 million dollars in contrast to 314 million dollars for the same period last year.

The drop in investment capital by business men was smaller. For the 9 month period it was 13.4% in contrast to 24.3% for the same period last year and in absolute numbers to 200 million dollars in contrast to 231 million dollars last year. The import of capital for the purchase of real estate for this period was 47.2% in contrast to 23.5% and in absolute numbers to 311 million dollars in contrast to 290 million dollars last year.

The foreign exchange reserves at the end of the 9 month period were 1,024 million dollars in contrast to 1,060 million dollars for the end of the same period last year.

9346

CSO: 3521/105

DECREASE OF STRENGTH IN MARITIME FLEET

Athens I VRADYNI in Greek 11 Nov 83 p 15

/Text/ The strength of our maritime fleet has decreased during the 12 month period October 1982 to September 1983 by 181 ships (5%) and 712,562 displacement tons of total capacity (1.8%) as compared to the previous 12 month period.

More analytically, the strength of our maritime fleet had reached 3,439 ships and 38,486,701 displacement tons of total capacity on 30 September 1983, while on the same date of 1982 it was 3,620 ships and 39,199,263 displacement tons.

During this 12 month period, 251 ships with a total capacity of 4,075,296 displacement tons registered with the Greek registry, while 432 ships with a total capacity of 4,787,858 displacement tons withdrew.

Furthermore, the Greek owned ships of foreign registry whose crews were insured by NAT /Seamen's Retirement Fund/ on 30 September 1983 numbered 430 with a total capacity of 7,723,581 displacement tons.

This means that the total strength of our maritime fleet of ships with a total capacity of more than 100 displacement tons on 30 September was 3,869 ships with a capacity of 46,210,282 displacement tons.

9346

CSO: 3521/105

CENTRAL BANK ANNOUNCES INTEREST RATE CUT AS INFLATION SLOWS

Reykjavik MORGUNBLADID in Icelandic 18 Nov 83 p 32

/Text/ The Central Bank has announced a general cut in savings and loan interest rates, beginning on 21 November. Interest will be going down about 2.5-5 percentage points at this time; the average decline in yearly interest rates will be about 4.4 percent for savings and about 4.6 percent for loans, or an average of about 4.5 percent.

The press release from the Central Bank says that the decrease in interest rates is the third step in interest reduction to slow down inflation, which process began on 21 September. In the three steps, the interest on the most common non-fixed-rate savings and loan accounts has been decreased some 10-15 percent, or 13.7 percent on the average.

It was also announced that inflation has now slowed down by some 30 percent; at that level, loan accounts and fixed-term savings accounts will return the positive actual interest, coordinated satisfactorily with fixed-rate loans.

Interest on checking accounts, formerly 19 percent, will be 15 percent after the decrease. Interest on general savings accounts will be 27 percent, down from 32 percent. Interest on three-month short-term loans will be 30.0 percent, down from 34 percent. Interest on twelve-month savings accounts will be 32.0 percent down from 36.0 percent.

As far as loans go, interest from exchanges will be 28.0 percent, down from 30.5 percent. Interest on promissory note loans with two due dates will be 33.0 percent, down from 37.0 percent. Finally, it should be mentioned that bankruptcy interest will be 48.0 percent, or 4.0 percent per month; this is down from 5.0 percent a month.

9584

CSO: 3626/9

GOVERNMENT'S ECONOMIC ADVISER CITES GAIN IN INFLATION FIGHT

Stockholm DAGENS NYHETER in Swedish 29 Nov 83 p 8

[Article by Magnus Gudmundsson: "Sharply Reduced Inflation on Iceland"]

[Text] A change in the economic policy on Iceland has brought about a reduction in the inflation rate from 130 percent at the beginning of the year to 30 percent during the last quarter.

Iceland's budget for 1984 assumes that the inflation is reduced to 7-10 percent next year.

The economic adviser for the Icelandic Government, Thordur Fridjonsson, points to two factors that made it possible to fight inflation successfully. First the government severed the connection between prices and wages, then it began a very active control of the money volume and a tightening of the budget.

Converted to a yearly basis, the prize increase will still be around 80 percent for 1983 as a whole, says the OECD [Organization for Economic Co-operation and Development] in a recent report on Icelandic economy.

Fridjonsson maintains that the partially rather dark picture of Iceland's economy that the co-operation organization of the industrial countries, OECD, paints in its report is based on the condition of last summer. The situation has improved considerably since then.

Because the inflation fight during the year has been so successful, it is not unrealistic to believe that the price increase can be kept to 7 percent next year, says Fridjonsson. The government has made sharp reductions in the 1984 budget, and the result is a surplus.

The Wages

Fridjonsson, as well as the OECD, emphasizes that the country's economic future now depends on the wage trend. Last June the index adjustment was lifted, which had meant automatic wage increases as prices rose. The government has suggested that wage increases be limited to 6 percent, which means a sharp reduction in buying power for the wage earner.

A recently published opinion poll does, however, show that two-thirds of those questioned are ready to accept lowered standards if inflation could thus be brought under control. The--according to European standards--uniquely high inflation rate on Iceland has made it impossible for the households to plan their finances.

In spite of the sharp restrictions and reduction of the public sector, the very high level of employment has so far been retained. The government is hoping for active consultation with the labor market parties to maintain that situation.

The for Iceland important fishing industry is the country's most difficult problem. Fishing is not doing well, and the prognosis is not good.

Thus, says Fridjonsson, one must invest in other areas. He points to the energy field as a very promising sector for Icelandic economy.

9843

CSO: 3650/59

OECD ECONOMIC REPORT BACKS GOVERNMENT AUSTERITY POLICIES

Zurich NEUE ZUERCHER ZEITUNG in German 26 Nov 83 p 15

[Text] Paris, 24 Nov--In its latest country report, the OECD is clearly more satisfied with Icelandic economic policies than a year and a half ago. At least the measures taken by the new government were in the right direction, but they are probably still not adequate. Meanwhile, the government has presented its budget for 1984. Judging from that budget, one can expect even more austere policies.

For years, the cancer of the Icelandic economy has been inflation. Meanwhile, last year brought a new acceleration here, and the annual rate even reached approximately 130 percent in the first half of 1983, which not only represents a historical record for the Nordic country; Iceland thus exceeds even the other "high-inflation countries" of the OECD, mainly in the Mediterranean area, with an average inflation rate perhaps one-sixth as high. Thus the old admonition of the OECD, finally to get serious about inflation-fighting, seems to have received some additional support from the facts. In addition, fishing proceeds declined in 1982, so that the fragility of that wondrous mixture of chronically high inflation rates, relatively remarkable real growth and "Swiss-style" low unemployment rates--0.5 percent in 1981 and 0.7 percent in 1982--which characterized the Icelandic economy during the 1970's, suddenly became evident.

At the same time, a hole thereby opened up on the foreign-economic front as well. The deficit in the trade balance increased from \$27 million to \$151 million, or to more than 6 percent of the GNP; the deficit in the income balance reached \$253 million (\$144 million in 1981), or about 10 percent of the GNP, and the reserve position worsened by \$88 million following an increase in reserves in each of the preceding years. Above all, however, there was a drastic worsening in foreign debt, which more than doubled in net terms in 1982, namely, from 6.5 billion Icelandic kronas to 15 billion kronas. That corresponds to a jump of from 32 to 48 percent of GNP, whereby the debt-service ratio increased from 16 to 21 percent of exports. To be sure, the structure of the Icelandic debt is relatively long-term, but the interest on the foreign debt alone already amounts to 5.75 percent of GNP and thus could develop its own dangerous dynamic results.

In view of this situation, the OECD felt that more was needed than mere lip service, and the government just elected in May has been relatively energetic in trying to break the strong indexing of wages, which represents one of the roots, if not the single root, to Iceland's problems. It had put into question Iceland's international competitiveness and had also hindered adjustment to the world market through devaluations, because increased prices for imports immediately set the wage-price spiral back into motion. The extremely complex indexing was then suspended on 1 June for a period of 2 years, and the wage adjustments due on 1 June and 1 October were limited to 8 and 4 percent, respectively. Together with various other measures, it will bring about a massive decline in economic activity in 1983, especially in consumption. certain amount of optimism, however, the OECD is probably still not fully convinced of the permanence and the success of the new policy, for its success is linked to a number of conditions, namely, an unaccommodating monetary policy, rigid fiscal policy, a moderate wage trend beginning in January of next year, which depends especially on the reasonableness of the social partners, and a weakening of indexing that is not just temporary.

(1) Schätzungen und Prognosen der OECD¹

		1981	1982	1983
(2) (in Mio. Isl. Kr.)		(in Mio. Isl. Kr.)	reale prozentuale	Veränderungen
		zu laufenden	Preisen	Veränderungen
Privater Konsum (4)	5	13 240	2,0	- 9,0
Öffentlicher Konsum (5)	6	2 520	2,0	0,0
Bruttoanlageinvestitionen (6)	7	5 549	- 3,6	- 10,0
Private Investitionen (7)	8	3 360	- 1,3	- 8,4
Öffentliche Investitionen (8)	9	2 189	- 7,1	- 12,7
Gesamte Inlandnachfrage (9)	10	21 542	2,2	- 11,3
Export von Gütern und Dienstleistungen (10)	11	8 887	- 9,0	8,6
Import von Gütern und Dienstleistungen (11)	12	9 910	0,5	- 5,8
Bruttonationalprodukt (BSP) (12)	13	20 519	- 2,0	- 5,9
Index der Lebenshaltungskosten (13)	14	-	54,0	83,0
Ertragsbilanzdefizit (in % des BSP) (14)	15	-	- 10,0	- 2,3

¹ Vorläufige Schätzungen für 1982. Offizielle Prognosen für 1983.
Preise von 1980 für 1982, Preise von 1982 für 1983. (15)

Key:

- | | |
|--|---|
| 1. OECD Estimates and Forecasts | 9. Total domestic demand |
| 2. In millions of Icelandic kronas at current prices | 10. Exports of goods and services |
| 3. Real changes in percent | 11. Imports of goods and services |
| 4. Private consumption | 12. Gross national product (GNP) |
| 5. Public consumption | 13. Index of the cost of living |
| 6. Gross investment for capital goods | 14. Income balance deficit (in percent of GNP) |
| 7. Private investment | 15. ¹ Preliminary estimates for 1982. |
| 8. Public investment | Official forecasts for 1983. |
| | ² 1980 prices for 1982, 1982 prices for 1983 |

The government, however, following the presentation of the budget draft after completion of the OECD report, clearly seems to be persisting in its attempt to bring about a solution to the inflation problem--even with some sacrifices. As the authors see it, the 1984 forecasts that were made in the OECD report are thus also invalid and must be made distinctly "more recessive." In 1984, the GNP will fall by 2.5 percent and the national income by 1.75 percent; private consumption is expected to decline by 4 percent. Since in all probability gross investment for capital goods will decline even more strongly, it is to be expected that there will be a decrease of 4.25 percent in total domestic demand. To some extent, the only value in the overall view of the national economy where the forecast is positive is exports, which should rise by 3.5 percent. The goals of this "drastic treatment" are quite ambitious: 10 percent inflation at the end of next year, near equilibrium in the income balance and approximate (\pm 5 percent) stability in exchange rates. The Icelandic Government wants that to be public.

9746

CSO: 3620/80

PROSPECTUS ON SAVINGS ACCOUNT ALTERNATIVES

Istanbul CUMHURIYET in Turkish 24 Nov 83 pp 1, 11

[Text] ECONOMIC SERVICE -- What options are available to the saver anxiously awaiting word on the future of bank interest rates while new "rites of passage" are under preparation?

First among the options valid at present are state bonds and private-sector bonds. Stocks seem to be a valid option for a more sophisticated segment of investors. And there is gold; the price of which depends on many factors and fluctuates so rapidly that it is hard for the investor to keep up with it, but whose traditional place among investment opportunities can never be ignored.

These options are expected to become more varied and numerous in the period ahead. The project, included among the Ozal team's promises, involving the sale to the public of bridges, dams and profitable public business operations, brings to the agenda the possibility of the issuance of new state-guaranteed securities, a new type of state bonds or profit-sharing stocks. The final nature of these securities or investment channels is not yet fully known, but it is understood that they will, in the medium term, provide income for the saver parallel to development in inflation. These new channels are expected to have a slightly higher yield than the three types of state bonds now being sold by the Central Bank and the Ziraat Bank branches. The state bonds now being sold, as known, include 3-year bonds at 30 percent net interest, 5-year bonds at 28 percent net interest compounded and 10-year bonds with variable interest.

Private-sector bonds being marketed now by the issuers or brokers yield 38 percent net interest on bearer bonds and may go as high as 45 percent net interest on registered bonds. Registered bonds are a valid option for small savers for whom there is no question of taxation a second time, and there is a great deal of interest being shown in them. Some involved in the bond market say that, if the 30-percent income tax withholding on bearer bonds were reduced at least to 20 percent, the bonds would be a more attractive option for savers. Aside from the net income he will obtain, the saver who chooses bonds must also take into account terms, the form in which interest is paid and the safety element. In speaking of the safety element, it is extremely useful, especially in private-sector bonds, to be informed on the establishment issuing the bond, its financial structure and possibilities for the future.

The stock market remains a market filled with uncertainties for the ordinary saver. Until trading in shares becomes widespread and a securities exchange that would comprise a market is formed and until dissemination of standard information on the firms whose shares would be traded on the exchange is provided for, it seems that it will be quite difficult for the ordinary saver to opt for stock shares. Should these measures become possible in the future, along with certain tax facilities, the saver could start learning to look at information published about the firms and at developments on that market and making investments in stock shares, which would represent a new stage in his becoming informed.

There is a new option for the saver which may come to the agenda in the period ahead, and that depends on developments in the housing sector. If this sector is offered the incentive of subsidized, cheap bank credits for housing construction, it seems possible that the small saver, savaged by rent payments, might use his savings for home building.

Besides these, gold retains the position it has always held as a valid option for the saver. What the Ozal team will do about gold is still not definitely known. It is thought to be considering measures that would make gold an option for large investors only.

The saver must look carefully at the size of his savings, the urgency of his need for additional income and what he will get as regards income, terms and safeguards from the options open to him and make his investment decisions accordingly. Meanwhile, he must achieve each new stage in the "maturation" process and make the effort to learn about the status, present and future, of business and the banks.

8349

CSO: 3554/81

MUMCU ANALYZES 'COST' OF 24 JANUARY REFORMS

Istanbul CUMHURİYET in Turkish 24 Nov 83 pp 1, 11

[Article by Ugur Mumcu in column "Observation": "Cost..."]

[Text] Every economic model has a financial and a political cost. How much would you say the 24 January decisions cost the banking system, the citizenry and the state?

After the 24 January decisions, you know, companies failed, banks and brokerages went bankrupt and investments came to a halt. The more interesting aspect of the matter is that all of this was presented as "success." We are all seeing the results of this success.

Failing companies and banks received support by means of the state and the banks. This came from the banks under the name "stock exchange advances," from the 2-percent deduction imposed on import revenues and from various other sources, including the "Securities Fund."

Do you know now much it all added up to? Around 150 billion liras. But that was not all; add the 120 billion liras needed to salvage the Cavusoglu-Kozanoglu conglomerate, and it was 270 billion liras. That was still not all; you also have to add the 200 billion Turkish liras involved in the "brokerage bankruptcies." That makes 470 billion Turkish liras, right?

That is, the cost of the 24 January decisions comes out to almost a half trillion liras in all.

And more than that, this bankruptcy is being applauded:

--Wow, what a success!

Why did these companies go under, why did these banks fail, how did these brokerages get into "payment difficulties"? Don't bother to ask. If you do, they say, "All of this has nothing at all to do with the economic model being applied."

If you were to ask Ozal these questions, his answer would be obvious:

--We brought down inflation.

These companies, banks and brokerages were also brought down while inflation was being brought down, and 470 billion liras along with them. But don't bother to ask; no one is responsible for this. All of this bankruptcy was inexorable and would have happened soon, anyway.

Brokerages failed; banks failed; holding companies failed. The fine private sector that used to say, "The state should not interfere with us," sent out a distress signal from their townhouses on the Bosphorus: "Oh, State, save us." But how important was that? 24 January was a success!

Investments stopped, unemployment rose. But weren't people saying the 24 January decisions were successful? They had no other choice; the ones who said there were other choices were the Marxists, the Communists, the enemies of the homeland and the nation!

How we are to explain it, I don't know.

"The 24 January model" is not a uniquely Turkish system. This model has been tried in other nations of the world also where it has extracted a very heavy cost. The best and most painful example is Argentina.

We try to reinstitute this model, which has been tried before at home and abroad with serious consequences, and we put Ozal in the prime minister's seat to do it. "Good luck," we say, but we see that he will not have very good luck.

What, gentlemen, would you say all these billions of liras are the bill for?

8349

CSO: 3554/81

TRENDS IN NATURAL GAS USE, PRICE, MARKET SHARE

Increase in Demand

Dusseldorf HANDELSBLATT in German 15 Nov 83 p 20

[Article entitled: "Increasing Gas Consumption Will Stimulate Investment"]

[Text] Following a period of 2 years with a decline in investment in the public gas industry, the Institute for Economic Research (Ifo-Institut) is anticipating vigorous activity in investment for 1983.

Gas supply companies recorded increases to about DM3.9 billion in their budtet for 1983 averaging more than 15 percent. For three years in succession gas consumption in the FRG declined. In absolute terms sales in 1983 with 8.6 percent (in 1982 9 percent) were even worse than in the previous year when they declined by 6 (4.4) billion cubic meters to 63.77 billion cubic meters. In the case of natural gas volume had to be reduced by 1/10th to 52.7 billion cubic meters. The share of all kinds of gas in final energy consumption declined slightly to 19.9 (19.2) percent, the share of natural gas likewise decreased significantly to 15 (15.8) percent.

The reduction in natural gas requirements in 1982 was absorbed virtually in equal parts by a cutback in imports and in industrial pumping. After the public gas industry had lowered its investments in 1981 by 5 percent, the decline in investment in 1982 with 17 percent less to about 2.5 billion cubic meters was even more striking than predicted. The home heating sector functioned as a stabilizing factor in gas consumption; it reduced gas use less than proportionately by only 2.7 percent to 18.6 billion cubic meters so that its share in total consumption from the public system rose to 36 percent.

Yet for 1983, on the basis of current available sales figures slight increases in demand by 0.5 percent to 55 million tons hard coal units are again being predicted after a small gain of 0.5 percent which was calculated for the first 9 months. Then natural gas would be the one important energy source this year with an increase in consumption.

Three reasons are cited by the Ifo-Institute for the "slight turn": On the one hand in the household sector the factors which lower consumption-- a mild climate and energy savings--might in part be being overcompensated for by the addition of new heating customers to the gas supply system. In this connection, the activity in new construction and modernization of dwellings has a positive effect. On the other hand, in the wake of the business recovery it was also possible to again record increased gas deliveries in industry.

Competing Fuels

Duesseldorf HANDELSBLATT in German 15 Nov 83 p 20

[Article entitled: "Natural Gas Displaces Oil"]

[Text] Although sales of natural gas in 1982 declined by 8 percent and there was only a faint gain of 0.5 percent in the first 3 quarters of 1983, the German gas industry is optimistic that it will be able to continue to expand its market share which greatly increased in the past few years.

At a conference of gas professionals in Frankfurt Dr Fritz Glaeser, president of the Federal Association of Gas and Water Industries, said that since 1980 natural gas has been the leading kind of heating energy for new dwellings. In 1979 oil heat had been planned for 55 percent of the dwellings approved for construction and gas heat for only 36 percent. Now the ratio has been reversed: in 1982 only 34 percent of new dwellings had been earmarked for oil heat, on the other hand over 50 percent for gas heat.

The "positive movement for gas service" continued. That fact that natural gas declined in sales in spite of gaining numerous new customers could be attributed on the one hand to mild temperatures and on the other to the strong decline in the use of gas in public power plants.

In connection with the price development Glaeser said that the gas industry is not interested in being a part of the erratic fluctuations that occurred in the price of oil. Since mid-1982 gas prices experienced a tendency to decline, and most supply companies were counting on being able to maintain them at the current level until next fall.

In respect to competing energies he said that electricity will possibly emerge with increased strength in the competition in the heating energy market because of cost-favorable nuclear energy. Overland heating is heavily subsidized so that in part only 60 percent of the capital costs show up in the prices. In this connection the spokesman for the gas industry demanded that such subsidies would have to be paid back, then one would quickly see whether investing on a long-term basis is economically feasible or not.

12124

CSO: 3620/83

PROBLEMS WITH RISING ELECTRICITY PRICES

Munich SUEDEDEUTSCHE ZEITUNG in German 14 Nov 83 p 23

[Article by b.e., Cologne: "The Cost of Electricity Generated by Nuclear Energy Has Increased 10 Times--Forum of Energy Discusses Trends in Electricity Costs and Their Impact on the Ability to Compete"]

[Text] In the oldest of the major German nuclear power plants, 1 kWh costs about 1.5 pfennigs. When the new nuclear power plants Ohu II, Lingen/Ems, Necharwestheim and others are completed at the end of the 1980's, their costs per kWh are estimated at 17-18 pfennigs, or more than 10 times as much. Nevertheless, only the brown coal power plants, even the new ones which will have to be desulfurized in compliance with the law and using the latest technology, will be capable of producing cheaper power.

Doctor of Engineering Guenter Klaette, vice president for costs and pricing on the board of the Rhineland-Westphalian Electric Power Plants [RWE] of Essen, mentioned during an "energy forum" held by the Cologne Gas, Electricity and Waterworks that the French are able to build their light-water reactors at two-thirds the cost of those in the FRG because of less stringent safety regulations. However, he added, the state-owned Electricite de France (EdF) operates with enormous deficits--almost 8 billion francs in 1982--which in the FRG would not be feasible by any utility company.

Less Sulfur Dioxide

If the EdF were forced to operate in the same manner as the RWE, namely, at an appropriate profit level, electric power in France would cost about 1.5 pfennigs per kWh more and would thus be hardly less expensive than industrial current in Germany. In any case, by their radical conversion from coal and oil to nuclear power production, the French have reduced pollution with poisonous sulfur dioxide by 80 percent.

Klaette mentioned all that with particular reference to southwestern Germany where there is growing concern that the constantly increasing electric power costs, which are likely to continue in that trend, will make entire segments of industry unable to compete, e.g., aluminum and chlorine producers. Klaette

added that the electric utility companies are unable, and in fact forbidden, to charge preferential reduced rates because of the equal pricing principle embodied in the law. Nor, he said, can they be blamed for the fact that as a result of extensive nuclear power phobia those light-water reactors which were to be the pillars of electric energy production, could not be further developed. If it were not for that fact, electricity bills in the FRG could be reduced by 25 percent.

Factors Affecting Electric Power Prices

Additionally, he said, attention must be paid to further expenses which will be caused as of 1987/88 by increasingly severe environmental protection laws. The cost of electricity, Klaette continued, must not be determined by what use is made of electricity, but solely by its type of delivery, e.g., cutoff, duration of use, etc. It is not permissible to charge different rates for equal service. Nor could it be permitted that certain large customers buy subsidized electric power from France. That would obviously constitute discrimination against those who did not have access to that privilege because it would increase their share of overhead costs.

He went on to say that the only way out of this would be government subsidies to large-scale electricity users, if they were to preserve their competitive position and if jobs in their plants were to be protected. In any case, he continued, the aluminum industry might, for instance, consider whether it should work at full capacity for 8 months at the usual summer electricity rates, while only using two-thirds of their capacity during the winter, i.e., without using very expensive peak-hour electricity. However, he said, the aluminum industry seems very little inclined to date to adapt its plants to that scheme.

No Subsidies From Bonn

Ministerial Councillor Dr Guenter Brandes of the Federal Economics Ministry stated that Bonn would not offer any subsidies to individual electricity users.

Klaette strongly warned against canceling or even amending the firm minimum delivery quotas expiring in 1995 (the so-called "century agreement") between the German electricity producers and the domestic bituminous coal producers. He said that the agreement had been approved unanimously and that it is legally subsidized by contributions from the "coal pfennig" [fuel surcharge] amounting to about DM 2 billion annually, which is paid by all electricity users. If the RWE, for example, were to abrogate its obligations under the agreement to purchase and resell coal-produced electricity or to produce such power itself, it would be forced to refund more than DM 1 billion in subsidies, thereby bankrupting itself.

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OFFICIAL PLEADS FOR ACTIVE POLICY ON SEA ISSUES

Hamburg DIE ZEIT in German 18 Nov 83 p 39

[Article by Juergen Westphal, minister for economics and transport in the State of Schleswig-Holstein: "No Access to the Sea"]

[Text] The FRG economy is the second largest partner in world trade. Its share is approximately 10 percent. As a member of NATO, the FRG--for the first time in history--is allied with the major sea powers. The center of this alliance is an international ocean, the Atlantic. One should think that it would inevitably lead to a policy which deserved the name of a sea or maritime policy, something that comparable nations have.

Nothing like that exists or is even in the cards. We are still a landlocked country, and nobody seems to realize our maritime dependence as a country which lacks raw materials and is oriented toward exports. Maritime problems are the concern of a few experts or, at best, they are regional, coastal problems. The lack of public interest within Germany in the international Law of the Sea Conference, which regulates the "distribution" of the world oceans for tomorrow, is clear proof of it.

The disinterest is difficult to understand: The world's oceans cover 70 percent of the earth's surface. With their living and mineral riches they represent the last reserve of the earth's natural resources. They must be protected and developed meaningfully. Eighty-five percent of the world's trade of goods is transported by sea--sea connections are, therefore, the most important arteries of our economy.

Are we gambling away a part of our future because of our disinterest in a maritime policy? In spite of our great technical accomplishments, the importance of our merchant fleet is declining steadily. Its share in the world merchant fleet is down to no more than 1.8 percent. Our capable shipyards are shrinking into insignificance, primarily as a result of international protectionism and subsidies that distort competition, a practice used by other countries. In deep-sea mining, our country produced promising projects for manganese nodules. But other countries reserved for themselves their "own" fields for so-called pioneer investments, in accordance with the international Law of the Sea Convention. Our participation in an international consortium, however, is limited to 25 percent. Our ocean research is recognized worldwide; German

technology in oceanography has much to offer. Apparently we do not know how to use these assets to our advantage.

Shippers and shipbuilders are fighting for their interests; everybody for his own, of course. Large organizations in industry and commerce are much more concerned about their dealings with shipping enterprises than they are about the economic interests of a German maritime policy.

In politics everybody sticks to his own business. The Ministry for Transport is in charge of shipping, the minister of economics is responsible for shipbuilding, the minister of research for ocean research and technology, the minister of agriculture for fishing and the minister of foreign affairs for important international questions--for instance, the Third UN Law of the Sea Conference. As I see it, there is no coordination and, consequently, there is no common policy on sea issues.

What can be done if one does not want to accept this condition and the loss of our still existing chances in ocean technology? Four points seem particularly important:

--Cooperation between the state and the economic sector with respect to the plan and the implementation of an economic policy on sea issues. In this international arena, only the state can create the framework conditions which give German enterprises a chance to compete fairly. Otherwise our dependence will be total when it comes to transportation across the seas, and there will be no opportunities to utilize important future technologies for landlocked as well as coastal industries.

The battle against the proliferation of protectionism is part of it. We must not be vulnerable when we are exposed to--strategically dangerous--distorted practices of competition used by the fleets of the CEMA countries. We do not have to accept the premise that the developing countries which received extensive aid and support from us simultaneously establish a rule, according to which the goods are to be transported primarily on their own ships. In my opinion, possibilities still exist to remain firm and fight against the replacement of a liberal system with a superbureaucratic regulation of deep-sea mining and institutionalized transfers of technology and finances, which will result in a decrease of opportunities in deep-sea mining.

--Even within the European Community we should actively promote the idea that there should be a "European" sea within its own territory, without discrimination and exclusion of member states in the maritime zones of the other partner countries. In my opinion, the regulations governing a common EC sea will have to be established before the entry of Spain and Portugal. The Europe of tomorrow must not be burdened with the tragedies of constant petty fishing disputes, as has been the case in the past.

--A thorough inventory of German maritime interests. It becomes even more important when we consider the fact that many developing countries--in Southeast Asia, for instance--are interested in a broad cooperation in this area.

--A framework should be created for such an inventory and such a plan for a policy on sea issues. A "Sea Council" would constitute a useful forum. Other countries have such organizations, and apparently they are of benefit to them.

It is not too late. We should not abandon an active policy on sea issues. It will guarantee our exports and raw material supplies. It will guarantee and create jobs in industries that will flourish in the future. Being one of the leading industrial nations, the FRG cannot afford to leave the utilization of the seas to our major competitors.

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NORDIC MINISTERS AGREE TO SEEK ACTION AGAINST 'ACID RAIN'

Helsinki HUFVUDSTADSBLADET in Swedish 22 Nov 83 p 9

/Article by Olle Ekstrom: "Nordic Action Against Sulphur Dioxide Pollution"

/Text/ The Nordic environment ministers agreed on Tuesday to seek broad support for the suggestion of a 30 percent decrease in sulphur dioxide pollution over a 10-year period. The suggestion was introduced last spring and was supported by Canada, Switzerland, West Germany and Austria as well as the Nordic countries.

After the meeting in Stockholm, Minister of Agriculture Svante Lundqvist emphasized the importance of including Eastern bloc countries in the fight against pollution.

The Nordic countries are going to request that all other countries who are in agreement with the ECE /Economic Commission for Europe/ convention on exceeding air pollution report whether they can reach the 30 percent goal.

The Nordic environment ministers in Stockholm also agreed to request a broad international assembly regarding more stringent exhaust gas regulations similar to those enforced by West Germany. The German resolution states that from 1 January 1986 all new cars must have 90 percent pollution-free exhaust. The United States has the same requirement, which is far stricter than any previously existing in Europe.

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